

FOREST PARK SCHOOL DISTRICT

**Financial Report
with Supplemental Information
Prepared in Accordance with GASB 34**

June 30, 2006

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INDEPENDENT AUDITOR'S REPORT

DS Rostagno, CPA, P.C.

***101 West Maple Street, Iron River, MI 49935
Tel (906) 265-1040 Fax (906) 265-1042***

Board of Education
Forest Park School District
801 Forest Parkway
Crystal Falls, Michigan 49920

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the **Forest Park School District**, as of and for the year ended June 30, 2006, which collectively comprise the School District's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the **Forest Park School District's** management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Board of Education, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the **Forest Park School District** as of June 30, 2006, and the respective changes in financial position thereof for the year then ended, in conformity with generally accepted accounting principles in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 01, 2006, on our consideration of the **Forest Park School District's** internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants.

The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with the report in considering the results of our audit.

The management's discussion and analysis on pages 8 through 21 and the budgetary comparison information are not required parts of the basic financial statements but are supplemental information required by the *Governmental Accounting Standards Board* and by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of the inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the **Forest Park School District's** basic financial statements. The combining and individual fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in cursive script, appearing to read "Dianne S. Rostagno".

Dianne S. Rostagno
DS ROSTAGNO, CPA, P.C.

August 01, 2006

ADMINISTRATION'S DISCUSSION AND ANALYSIS

Forest Park School District

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Administration's Discussion and Analysis For the Fiscal Year Ended June 30, 2006

The **Forest Park School District**, is a K-12 school district located in Iron County, Michigan. The Administration's Discussion and Analysis, a requirement of GASB 34, is intended to be the **Forest Park School District's** discussion and analysis of the financial results for the fiscal year ended June 30, 2006.

Generally accepted accounting principles (GAAP) according to GASB 34 requires the reporting of two types of financial statements: District Wide Financial Statements and Fund Financial Statements.

Fund Financial Statements

The fund level financial statements are reported on a modified accrual basis. Only those assets that are "measurable" and "currently available" are reported. Liabilities are recognized to the extent that they are normally expected to be paid with current financial resources.

The fund statements are formatted to comply with the legal requirements of the Michigan Department of Education's "Accounting Manual". In the State of Michigan, the District's major instructional and instructional support activities are reported in the General Fund. Additional activities are reported in the relevant funds, including Debt Service, Capital Projects, and the School Service Funds, which are comprised of Food Service and Athletics.

In the fund financial statements, purchased capital assets are reported as expenditures in the year of acquisition. No asset is reported. The issuance of debt is recorded as a financial resource. The current year's payments of principal and interest on long-term debt obligations are recorded as expenditures. Future years' debt obligations are not recorded.

District-wide Financial Statements

The *District-wide Financial Statements* are full accrual basis statements. They report all of the District's assets and liabilities, both short and long-term, regardless if they are "currently available" or not. For example, assets that are restricted for use in the Debt Service Fund solely for the payment of long-term principal or interest are grouped with unrestricted assets of the General Fund. Capital assets and long-term obligations of the District are reported in the Statement of Net Assets on the *District-wide Financial Statements*.

The School District as Trustee - Reporting the School District's Fiduciary Responsibilities

The School District is the trustee, or fiduciary, for its student activity and private purpose trust funds. All of the School District's fiduciary activities are reported in separate statements of fiduciary net assets. We exclude these activities from the School District's other financial statements because the School District cannot use these assets to finance its operations. The School District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

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Administration's Discussion and Analysis For the Fiscal Year Ended June 30, 2006

Summary of Net Assets:

The following summarizes the net assets at fiscal years ended June 30, 2006 and June 30, 2005:

NET ASSETS SUMMARY

June 30, 2006

Assets

Current Assets \$ 937879

Capital Assets 13498355

Less: Accumulated Depreciation (4021510)

Capital assets, net book value 9476845

Total Assets \$ 10414724

Liabilities

Current Liabilities 907927

Long-term Liabilities 4991037

Total Liabilities 5898964

Net Assets

Investment in capital assets, net of related debt 4402289

Reserved for Food Service 22078

Reserved for Athletics 0

Reserved for Debt Service 180518

Reserved for Capital Projects 8538

Designated for Future Operations (GF) 275822

Designated for Capital Outlay (GF) 73013

Unreserved and Undesignated (446498)

Total Net Assets 4515760

Total Liabilities and Net Assets \$ 10414724

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Administration's Discussion and Analysis For the Fiscal Year Ended June 30, 2006

Summary of Net Assets: (Continued)

	<u>June 30, 2005</u>
<u>NET ASSETS SUMMARY</u>	
Assets	
Current Assets	\$ 6484201
Capital Assets	13190973
Less: Accumulated Depreciation	<u>(3683698)</u>
Capital assets, net book value	9507275
Total Assets	\$ 15991476
Liabilities	
Current Liabilities	6148946
Long-term Liabilities	<u>5231093</u>
Total Liabilities	11380039
Net Assets	
Investment in capital assets, net of related debt	(1149578)
Reserved for Food Service	20857
Reserved for Athletics	22418
Reserved for Debt Service	5502631
Reserved for Capital Projects	0
Reserved for Textbooks	7000
Reserved for Future Operations	273519
Designated for Buses	23000
Designated for Computer Equipment	1122
Designated for Roof Repair/Replacement	36666
Unreserved and Undesignated	<u>(126198)</u>
Total Net Assets	4611437
Total Liabilities and Net Assets	\$ <u>15991476</u>

Analysis of Financial Position

During fiscal year ended June 30, 2006, the District's net assets decreased by \$ 1,183 (before the adjustment to account for the defeasance of debt resulting from the prior year refunding bond issuance.) A few of the significant factors affecting net assets during the year are discussed below:

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Administration's Discussion and Analysis For the Fiscal Year Ended June 30, 2006

Analysis of Financial Position (Continued)

A. General Operating Fund Operations

The District's expenditures from General Operating Fund operations exceeded revenues (after transfers out) by \$296,970. General Operating Fund revenues declined by \$ 212,780 from the last fiscal year, while General Fund expenditures decreased by \$ 180,860 from the prior year.

B. Debt, Principal Payments

The District made principal payments on bonded and other long-term debt obligations that reduced the amount of the District's long-term liabilities as follows:

	Principal Balance <u>6/30/05</u>	<u>Additions</u>	Principal Payments <u>6/30/06</u>	Principal Balance <u>6/30/06</u>
1997 School Building & Site Bonds	\$ 320000	\$ 0	\$ 320000	\$ 0
2006 Refunding Bonds	4795000	0	0	4795000
Bus Garage Loan	162966	0	33402	129564
M-TEC Loan	40608	0	10067	30541
Durant Resolution Bonds	33278	0	2521	30757
Bus Loan	0	96200	7506	88694
Long-term Employee Benefits	251529	31607	0	283136
Retirement Incentive	<u>240043</u>	<u>0</u>	<u>76681</u>	<u>163362</u>
Totals	\$ 5843423	\$ 127808	\$ 450177	\$ 5521054

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Administration's Discussion and Analysis For the Fiscal Year Ended June 30, 2006

Analysis of Financial Position (Continued)

C. Net Investment in Capital Assets

The District's net investment in capital assets is as follows:

	<u>Balance</u> <u>6/30/05</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>6/30/06</u>
Capital Assets	\$ 13190973	\$ 307382	\$ 0	\$ 13498355
Less: Accumulated Depreciation	<u>(3683698)</u>	<u>(337812)</u>	<u>0</u>	<u>(4021510)</u>
Net Investment in Capital Assets	\$ 9507275	\$ (30430)	\$ 0	\$ 9476845

Results of Operations:

For the fiscal years ended June 30, 2006 and 2005, the comparative District-wide results of operations were as follows:

	<u>June 30, 2006</u>
Revenues	
<i>General Revenues</i>	
Property taxes, levied for general operations	\$ 2016022
Property taxes, levied for debt service	622803
Other taxes	27591
State Aid, Unrestricted	2069821
Interest and Investment Earnings	9810
Other general revenues	<u>328780</u>
Total General Revenues	\$ 5074827

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Administration's Discussion and Analysis For the Fiscal Year Ended June 30, 2006

Results of Operations: (Continued)

	<u>June 30, 2006</u>
<i>Operating Grants</i>	
Federal	\$ 298645
State of Michigan	255939
Other operating grants	<u>8253</u>
<i>Total Operating Grants</i>	562837
<i>Charges for Services</i>	
Tuition	34554
Food Service	93943
Athletics	59081
Day Care Program	41456
Other Charges for Services	<u>5474</u>
<i>Total Charges for Services</i>	234508
Total Revenues	\$ 5872172
Expenses	
Instruction	\$ 3445505
Support Services	1430991
Community Services	15607
Food Services	231356
Athletics	150796
Interest on long-term debt	261288
Other Costs	0
Depreciation (Unallocated)	337812
Intergovernmental payments	<u>0</u>
Total Expenses	\$ 5873355
Non-Operating Income (Expense)	0
DECREASE IN NET ASSETS	(1183)
NET ASSETS – BEGINNING OF YEAR	<u>4611437</u>
Adjustment to account for defeasance of debt – prior year refunding bonds	(94494)
NET ASSETS – END OF YEAR	\$ <u>4515760</u>

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Administration's Discussion and Analysis For the Fiscal Year Ended June 30, 2006

Results of Operations: (Continued)

	<u>June 30, 2005</u>
Revenues	
<i>General Revenues</i>	
Property taxes, levied for general operations	\$ 1927581
Property taxes, levied for debt service	628788
Other taxes	35855
State Aid, Unrestricted	2187046
Interest and Investment Earnings	13374
Other general revenues	<u>227563</u>
<i>Total General Revenues</i>	\$ 5020207
 <i>Operating Grants</i>	
Federal	\$ 312520
State of Michigan	268012
Other operating grants	<u>5047</u>
<i>Total Operating Grants</i>	585579
 <i>Charges for Services</i>	
Tuition	14294
Food Service	93370
Athletics	61714
Day Care Program	46753
Other Charges for Services	<u>4724</u>
<i>Total Charges for Services</i>	220855
 Total Revenues	 \$ 5826641

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Administration's Discussion and Analysis For the Fiscal Year Ended June 30, 2006

Results of Operations: (Continued)

	<u>June 30, 2005</u>
Expenses	
Instruction	\$ 3063323
Support Services	1462150
Community Services	149360
Food Services	222402
Athletics	152471
Interest on long-term debt	314651
Other Costs	8058
Depreciation (Unallocated)	329799
Intergovernmental payments	<u>0</u>
Total Expenses	\$ 5702214
Non-Operating Income (Expense)	205415
DECREASE IN NET ASSETS	329842
NET ASSETS – BEGINNING OF YEAR	<u>4281595</u>
NET ASSETS – END OF YEAR	\$ 4611437

1. State of Michigan Unrestricted Aid (Net State Foundation Grant)

The State of Michigan aid, unrestricted, is determined with the following variables:

- a. State of Michigan State Aid Act per student foundation allowance.
- b. Student Enrollment - Blended at 80 percent of current year's fall count and 20 percent of prior year's winter count.
- c. The District's non-homestead levy.

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Administration's Discussion and Analysis For the Fiscal Year Ended June 30, 2006

Per Student, Foundation Allowance

Annually, the State of Michigan establishes the per student foundation allowance. The **Forest Park School District's** foundation allowance was \$ 6,875 per student for the 2005-2006 school year.

Student Enrollment

The District's enrollment for state aid membership purposes for 2005-2006 was 612.90 students. The District's enrollment increased slightly from the prior year's student count. The following summarizes fall student enrollments for the past five years:

	<u>Student FTE</u>
2005-2006	617
2004-2005	597
2003-2004	619
2002-2003	660
2001-2002	648

2. Property Taxes Levied for General Operations (General Fund Non-Homestead)

The District levies 17.7220 mills of property taxes for operations (General Fund) on non-homestead properties. Under Michigan law, the taxable levy is based on the taxable valuation of properties. Annually, the taxable valuation increase in property values is capped at the rate of the prior year's CPI increase, or five percent, whichever is less. At the time of sale, a property's taxable valuation is readjusted to the State Equalized Value, which is, theoretically, 50 percent of the market value.

The District's non-homestead property tax revenue for the 2005-2006 fiscal year was \$ 2,016,022. The non-homestead property tax levy increased by approximately 4.58 percent over the prior year.

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Administration's Discussion and Analysis For the Fiscal Year Ended June 30, 2006

Property Taxes Levied for General Operations (General Fund Non-Homestead) (Continued)

The following summarizes the District's non-homestead property tax levy for the past five years:

	<u>Non-Homestead Tax Levy</u>	<u>Percent Increase From Prior Year</u>
2005-2006	2016022	4.5800
2004-2005	1927581	7.0900
2003-2004	1799935	4.7518
2002-2003	1718286	3.7389
2001-2002	1656356	5.0565

Average increase last five years: 5.0434 %.

3. Debt Service Fund Levy

The District's debt service fund levy, which is used to pay the principal and interest on bond obligations, is based on the taxable valuation of all properties - both homestead and non-homestead. For the fiscal year ended June 30, 2006, the District's debt millage levy was 3.6000 mills, which generated revenue of \$622,803.

4. Food Sales to Students and Adults (School Lunch Program)

The District's food sales to students was very consistent with the prior school year, while adult lunches decreased by \$1,034.

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Administration's Discussion and Analysis For the Fiscal Year Ended June 30, 2006

General Fund Budgetary Highlights

Over the course of the year, the School District revises its budget as it attempts to deal with changes in revenues and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. A schedule showing the District's original and final budget amounts compared with amounts actually paid and received is provided in Required Supplemental Information of these financial statements. Changes to the General Fund original budget were as follows:

Budgeted revenues were increased by \$239,375, which is approximately a 5% increase from the original budget. Actual revenues came in at \$ 4,835,620, which is higher than both the original and the final amended budgets.

Budgeted expenditures were increased by \$102,259 from the original budgeted amounts, representing an approximate 2 % decrease.

Revenues – Budget vs Actual for Fiscal Year Ended June 30, 2006

	Revenues Original <u>Budget</u>	Revenues Final <u>Budget</u>	Revenues Final <u>Actual</u>	Revenues Variance Actual vs Original <u>Budget</u>	Revenues Variance Actual vs Final <u>Budget</u>
General Fund	\$ 4586364	\$ 4825739	\$ 4835620	\$ 249256	\$ 9881

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Administration's Discussion and Analysis For the Fiscal Year Ended June 30, 2006

General Fund Budgetary Highlights (Continued)

Expenditures – Budget vs Actual for Fiscal Year Ended June 30, 2006

	Expenditures Original Budget	Expenditures Final Budget	Expenditures Final Actual	Expenditures Variance Actual vs Original Budget	Expenditures Variance Actual vs Final Budget
General Fund	\$ 4647254	\$ 4749513	\$ 4735741	\$ (88487)	\$ 13772

Major Capital Events and Significant Accomplishments

During the 2005-2006 school year, the District's accomplishments included:

\$150,000 in capital improvements, including the completion of the remaining two sections of the high school roof,

Receiving an "A" on the state report card,

Settling the FPEA contract and getting some cost containment in the health insurance area in all personnel contracts,

Improving our curriculum in the areas of lead teacher, and the higher level secondary math areas, to name a few,

Maintaining a relatively sound fund balance, considering the expenses in the personnel raises, attorney fees, fuel increases, and capital improvement expenditures,

Updating and adoption of several curriculum plans and policies,

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Administration's Discussion and Analysis For the Fiscal Year Ended June 30, 2006

Major Capital Events and Significant Accomplishments (Continued)

Increase in student enrollment by 20 students, and

Maintaining a very dedicated and hard-working staff, administration, and board.

Goals and Priorities for 2006-2007

Some of the major priorities and goals for the 2006-2007 school year include:

Maintaining an “A” on our state report card,

Updating our business education technology lab and using the current computers in that room for further student use in the form of lab or classroom computers,

Establishing and implementing a sound forest management plan,

Maintaining a sound fund balance so we would not see the need to borrow money,

Complete several smaller-scale capital projects that center around our outdoor athletic facilities, as well as the heating system and the painting and ceiling tile replacement of several high school classrooms,

Prepare for the new high school curriculum rigors, as well as expanding class offerings and possible personnel in the areas of math, science, social studies, foreign language, media, arts, vocational areas, and Title I,

Increase our student enrollment by another 20 students,

Maintain the quality staff we have in all areas,

Reaching out and communicating with the district as a whole,

Cooperate with the West Iron County School District more in establishing more cooperative programs.

Forest Park School District

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Administration's Discussion and Analysis For the Fiscal Year Ended June 30, 2006

Contacting the School District's Financial Management

This financial report is designed to provide the School District's citizens, taxpayers, customers, and creditors with a general overview of the School District's finances and to demonstrate the School District's accountability for the money it receives. If you have questions about this report or need additional information, contact:

Forest Park School District
School Business Office
801 Forest Parkway
Crystal Falls, Michigan 49920

BASIC FINANCIAL STATEMENTS

FOREST PARK SCHOOL DISTRICT

STATEMENT OF NET ASSETS

June 30, 2006

	<u>Governmental Activities</u>
<u>ASSETS</u>	
<i>Current Assets</i>	
Cash and Cash Equivalents (Note 3)	\$ 372,949
Receivables	
Taxes	107,532
Accounts Receivable	3,890
Due from Other Governmental Units	428,644
Inventories	24,864
	<hr/>
Total Current Assets	937,879
<i>Noncurrent Assets</i>	
Capital Assets (Note 5)	13,498,355
Less: Accumulated Depreciation (Note 5)	<u>(4,021,510)</u>
Total Noncurrent Assets	<u>9,476,845</u>
TOTAL ASSETS	\$ 10,414,724
<u>LIABILITIES</u>	
<i>Current Liabilities</i>	
Accounts Payable	65,301
Accrued Salaries and Benefits	312,609
Retirement Incentive Payable	76,681
Bonds Payable, Due within one year (Note 8)	382,640
Loans Payable, Due within one year (Note 8)	<u>70,696</u>
Total Current Liabilities	907,927
<i>Noncurrent Liabilities</i>	
Bonds Payable (Note 8)	4,443,117
Compensated Absences Payable	283,136
Retirement Incentive Payable	86,681
Loans Payable, long-term (Note 8)	<u>178,103</u>
Total Noncurrent Liabilities	4,991,037
TOTAL LIABILITIES	\$ 5,898,964
<u>NET ASSETS</u>	
Invested in Capital Assets, Net of Related Debt	\$ 4,402,289
Reserved for Food Service	22,078
Reserved for Athletics	-
Reserved for Debt Services	180,518
Reserved for Capital Projects	8,538
Designated for Future Operations (GF)	275,822
Designated for Capital Outlay	73,013
Unreserved and Undesignated	<u>(446,498)</u>
TOTAL NET ASSETS	\$ 4,515,760

The notes to the financial statements are an integral part of this report.

FOREST PARK SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

Year Ended June 30, 2006

<u>Functions/Programs</u>	Program Revenues			Governmental Activities
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants</u>	Net(Expense) Revenue and Changes in Net Assets
Primary Government -				
Government Activities:				
Instruction	\$ 3,445,505	\$ 34,554	\$ 372,855	\$ (3,038,096)
Support Services	1,430,991		47,167	(1,383,824)
Food Services	231,356	93,943	138,518	1,105
Athletics	150,796	59,081	627	(91,088)
Community Services	15,607	46,930	12	31,335
Interest on Long-Term Debt	261,288		3,658	(257,630)
Other Costs	-	-	-	-
Depreciation (Unallocated)	337,812			(337,812)
Total Governmental Activities	\$ 5,873,355	\$ 234,508	\$ 562,837	\$ (5,076,010)
General Revenues:				
Taxes:				
Property taxes levied for general operations				2,016,022
Property taxes levied for debt service				622,803
Other Taxes				27,591
State Aid, Unrestricted				2,069,821
Interest and Investment Earnings				9,810
Other				328,780
Total General Revenues				5,074,827
Change in Net Assets				(1,183)
Net Assets - Beginning of year, as reported				4,611,437
Adjustment to account for defeasance of debt - refunding bonds				(94,494)
Net Assets - Beginning of year, adjusted				4,516,943
Net Assets - End of year				\$ 4,515,760

The notes to the financial statements are an integral part of this report.

FOREST PARK SCHOOL DISTRICT

BALANCE SHEET – GOVERNMENTAL FUNDS

June 30, 2006

	General Operating Funds	Debt Service Fund	Capital Projects Fund
<u>ASSETS</u>			
Cash and Investments (Note 3)	\$ 109,898	\$ 159,815	\$ 83,725
Receivables:			
Taxes	76,715	30,817	-
Accounts Receivable	3,890	-	-
Due from Other Funds	120,564	-	10,114
Due from Other Governmental Units	426,915	-	-
Inventories	20,498	-	-
TOTAL ASSETS	<u>\$ 758,480</u>	<u>\$ 190,632</u>	<u>\$ 93,839</u>
<u>LIABILITIES AND FUND BALANCES</u>			
<u>LIABILITIES</u>			
Accounts Payable	-	-	65,301
Accrued Salaries and Benefits	312,609	-	-
Deferred Revenue	-	-	-
Due to Other Funds	97,036	10,114	20,000
TOTAL LIABILITIES	409,645	10,114	85,301
<u>FUND BALANCES</u>			
Reserved for Debt Service	-	180,518	-
Reserved for Food Service	-	-	-
Reserved for Capital Projects	-	-	8,538
Designated for Future Operations	275,822	-	-
Designated for Capital Outlay	73,013	-	-
TOTAL FUND BALANCES	348,835	180,518	8,538
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 758,480</u>	<u>\$ 190,632</u>	<u>\$ 93,839</u>

FOREST PARK SCHOOL DISTRICT

BALANCE SHEET – GOVERNMENTAL FUNDS

June 30, 2006

Other Nonmajor Governmental Funds	Total Governmental Funds
<u> </u>	<u> </u>
\$ 19,511	\$ 372,949
-	107,532
-	3,890
-	130,678
1,729	428,644
4,366	24,864
<u> </u>	<u> </u>
<u>\$ 25,606</u>	<u>\$ 1,068,557</u>
-	65,301
-	312,609
-	-
3,528	130,678
<u> </u>	<u> </u>
3,528	508,588
-	180,518
22,078	22,078
-	8,538
-	275,822
-	73,013
<u> </u>	<u> </u>
22,078	559,969
<u>\$ 25,606</u>	<u>\$ 1,068,557</u>

The notes to the financial statements are an integral part of this report.

FOREST PARK SCHOOL DISTRICT

GOVERNMENTAL FUNDS**RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS TO STATEMENT OF
NET ASSETS***June 30, 2006*

Total Fund Balances - Governmental Funds	\$ 559,969
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Amounts reported for governmental activities in the statement
of net assets are different because:

Capital assets used in governmental activities
are not financial resources and are not
reported in the funds.

The cost of capital assets is:	13,498,355
Accumulated depreciation is:	(4,021,510)

Long term liabilities are not due and payable
in the current period and are not reported
in the funds:

Bonds/Loans Payable	(5,074,556)
Compensated Absences/Other Benefits	(283,136)
Retirement Incentives Payable	(163,362)

Other long term assets not available to pay
current period expenditures therefore
deferred in the funds

-

Accrued interest is not included as a liability
in governmental funds

-

Amounts due from other non-governmental funds

-

Amounts due to other non-governmental funds

-

Total Net Assets - Governmental Activities	<u>\$ 4,515,760</u>
---	----------------------------

The notes to the financial statements are an integral part of this report.

FOREST PARK SCHOOL DISTRICT

GOVERNMENTAL FUNDS

STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended June 30, 2006

	General Operating Funds	Debt Service	Capital Projects Fund
<u>REVENUE</u>			
Local Revenue	\$ 2,345,777	\$ 656,619	\$ 83,910
State Revenue	2,296,522	3,658	-
Federal Revenue	145,724	-	-
Interdistrict and Other Revenue	47,597	-	-
TOTAL REVENUE	\$ 4,835,620	\$ 660,277	\$ 83,910
<u>EXPENDITURES</u>			
Current:			
Instruction	3,220,628		
Support Services	1,376,397		
Community Services	138,716		
Food Services			
Athletics			
Debt Service			
Principal		373,497	
Interest and Fees		261,288	
Other costs			
Capital Outlay			252,360
Intergovernmental Payments			
TOTAL EXPENDITURES	\$ 4,735,741	\$ 634,785	\$ 252,360
Excess (Deficiency) of Revenues Over Expenditures	99,879	25,492	(168,450)
<u>Other Financing Sources (Uses)</u>			
Operating transfers in	33,401	51,889	20,000
Operating transfers out	(190,295)		
Bond and loan proceeds			96,200
Bond premium			
Cost of bond issuance			
Gain on investments			
Total Other Financing Sources (Uses)	(156,894)	51,889	116,200
Net Change in Fund Balances	(57,015)	77,381	(52,250)
FUND BALANCE - BEGINNING OF YEAR, Unadjusted	405,850	5,502,631	60,788
Adjustment to account for defeasance of debt - refunding bonds	-	(5,399,494)	-
FUND BALANCE - BEGINNING OF YEAR, Adjusted	405,850	103,137	60,788
FUND BALANCE - END OF YEAR	\$ 348,835	\$ 180,518	\$ 8,538

FOREST PARK SCHOOL DISTRICT

GOVERNMENTAL FUNDS

STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended June 30, 2006

Other Nonmajor Governmental Funds	Total Governmental Funds
\$ 153,847	\$ 3,240,153
7,313	2,307,493
131,205	276,929
-	47,597
\$ 292,365	\$ 5,872,172
	3,220,628
	1,376,397
	138,716
231,356	231,356
167,211	167,211
	373,497
	261,288
	-
	252,360
	-
\$ 398,567	\$ 6,021,453
(106,202)	(149,281)
85,005	190,295
	(190,295)
	96,200
	-
	-
	-
85,005	96,200
(21,197)	(53,081)
43,275	6,012,544
-	(5,399,494)
43,275	613,050
\$ 22,078	\$ 559,969

The notes to the financial statements are an integral part of this report.

FOREST PARK SCHOOL DISTRICT

GOVERNMENTAL FUNDS

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**

Year Ended June 30, 2006

Net Change in Fund Balances - Total Governmental Funds	\$ (53,081)
---	-------------

Amounts reported for governmental activities in the statement
of activities are different because:

Governmental funds report capital outlays as expenditures; in
the statement of activities, these costs are allocated over their
estimated useful lives as depreciation.

Depreciation Expense	(337,812)
Capital Outlay	307,382

Revenue reported in the statement of activities that does not provide current financial resources and are not reported as revenue in the governmental funds	-
---	---

Accrued interest is recorded in the statement of activities when incurred; it is not reported in governmental funds until paid	-
---	---

Repayment of bond/loan principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long term debt)	373,497
--	---------

Proceeds from loans and the issuance of bonds are considered to be other financing sources in the fund statements, but are not reported in the statement of activities	(96,200)
--	----------

Adjustment to account for increase in long-term employee benefits, which are not reflected in the fund statements	(31,607)
--	----------

Recognize liability for long-term retirement incentive payable, which is not reflected in the fund statements	(163,362)
--	-----------

Change in Net Assets of Governmental Activities resulting from current year operations	(1,183)
---	----------------

Adjustment to properly account for defeasement of debt - prior period Refunding bonds	(94,494)
--	----------

Change in Net Assets of Governmental Activities	<u>\$ (95,677)</u>
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The notes to the financial statements are an integral part of this report.

FOREST PARK SCHOOL DISTRICT

FIDUCIARY FUND**STATEMENT OF FIDUCIARY NET ASSETS***JUNE 30, 2006***ASSETS**

Cash, Deposits, and Investments	\$ 89,151
Due From Other Funds	<u>78</u>
TOTAL ASSETS	\$ 89,229

LIABILITIES

Due to Student Groups	40,858
Due to Other Funds	<u>78</u>
TOTAL LIABILITIES	\$ 40,936

NET ASSETS

Reserved for Scholarships	17,033
Reserved for Revolving Fund Expenses	25,523
Reserved for Elementary or High School Science	<u>5,737</u>
TOTAL NET ASSETS	\$ 48,293

The notes to the financial statements are an integral part of this report.

FOREST PARK SCHOOL DISTRICT

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

Year Ended June 30, 2006

	Private Purpose Trust Funds			
	Scholarship Fund	Revolving Fund	Sedberry Trust Fund	Totals
<u>ADDITIONS</u>				
Gifts and Contributions	\$ -	\$ 102,406	\$ -	\$ 102,406
Investment Earnings	37	390	32	459
TOTAL ADDITIONS	\$ 37	\$ 102,796	\$ 32	\$ 102,865
<u>DEDUCTIONS</u>				
Scholarships Awarded	1,550	5,600	-	7,150
Elementary and High School Science Expenses			1,528	1,528
Other	-	71,223		71,223
TOTAL DEDUCTIONS	\$ 1,550	\$ 76,823	\$ 1,528	\$ 79,901
 Transfer In (Out)	 \$ 23,674	 \$ (23,674)	 \$ -	 \$ -
Change in Net Assets	(1,513)	25,973	(1,496)	22,964
Net Assets - Beginning of year	3,362	14,734	7,233	25,329
Net Assets - End of year	\$ 25,523	\$ 17,033	\$ 5,737	\$ 48,293

The notes to the financial statements are an integral part of this report.

NOTES TO THE FINANCIAL STATEMENTS

FOREST PARK SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2006

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the **Forest Park School District** conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies of the School District:

Reporting Entity

The School District is governed by an elected seven-member Board of Education. The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational financial relationships that determine which of the governmental organizations are a part of the School District's reporting entity, and which organizations are legally separate, component units of the School District. Based on the application of the criteria, the District does not contain any component units.

FOREST PARK SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

June 30, 2006

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

District-wide and Fund Financial Statements

The district-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All of the District's district-wide activities are considered governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function.

FOREST PARK SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

June 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**District-wide and Fund Financial Statements
(Continued)**

Program revenue includes (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments, and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the district-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

FOREST PARK SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

June 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Measurement Focus, Basis of Accounting and Financial
Statement Presentation**

District-wide Statements

The district-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants, categorical aid and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

As a general rule, the effect of inter-fund activity has been eliminated from the district-wide financial statements.

FOREST PARK SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

June 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Measurement Focus, Basis of Accounting and Financial
Statement Presentation (Continued)**

Fund-based Statements

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is measurable and available. Revenue is considered to be available if it is collected within the current period or soon thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and severance pay, are recorded only when payment is due.

FOREST PARK SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

June 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Measurement Focus, Basis of Accounting and Financial
Statement Presentation (Continued)**

Fund-based Statements (Continued)

Property taxes, unrestricted State aid, intergovernmental grants and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the government.

The fiduciary fund statement is also reported using the economic resources measurement focus and the accrual basis of accounting.

The School District reports the following governmental funds:

FOREST PARK SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

June 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Measurement Focus, Basis of Accounting and Financial
Statement Presentation (Continued)**

Fund-based Statements (Continued)

General Fund

The General Fund is the School District's primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund.

Forest Park Community School Fund

This fund is used to account for all financial resources collected for the Community School program.

For reporting purposes, the General Fund and the Community School Fund are combined to form the School District's General Operating Fund. This is reported as a major fund.

FOREST PARK SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

June 30, 2006

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Measurement
Focus, Basis of Accounting and Financial Statement
Presentation (Continued)**

Fund-based Statements (Continued)

Capital Project Funds

These funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities or other capital assets, including equipment.

The capital project fund is considered to be a major fund for district-wide reporting.

Debt Retirement Fund

These funds are used to account for the accumulated resources for, and the payment of, general long-term principal, interest, and related cost.

The Debt Retirement Fund is a major fund.

FOREST PARK SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

June 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Measurement Focus, Basis of Accounting and Financial
Statement Presentation (Continued)**

Fund-based Statements (Continued)

Special Revenue Funds

These funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes.

The School Service Funds are Special Revenue Funds that segregate, for administrative purposes, the transactions of a particular activity from regular revenue and expenditure accounts. The School District maintains full control of these funds. The School Service Funds maintained by the School District are the Food Services Fund and Athletic Activity Fund, both of which are considered to be non-major funds.

Fiduciary Funds

These funds are used to account for assets held by the School District in a trustee capacity or as an agent.

FOREST PARK SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

June 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Measurement Focus, Basis of Accounting and Financial
Statement Presentation (Continued)**

Fund-based Statements (Continued)

Fiduciary Funds

Fiduciary Fund net assets and results of operations are not included in the district-wide statements. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District presently maintains a Student Activities Fund, a Scholarship Fund, Revolving Fund, and the Sedberry Trust Fund. The Student Activity Fund is an Agency Fund; the Scholarship Fund, the Revolving Fund and the Sedberry Trust Fund are all private-purpose trust funds.

Deposits and Investments

Cash and cash equivalents include cash on hand, demand deposits and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

FOREST PARK SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

June 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Receivables and Payables

In general, outstanding balances between funds are reported as "due to/from other funds". Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "advances to/from other funds".

Property Taxes

Property taxes are levied on July 01 and payable by September 15 each year. They are considered delinquent if unpaid as of March 01 of the following year. Property taxes are recognized when they become available. The County of Iron purchases all delinquent real property taxes during the second quarter of each year, resulting in total collection of real property taxes each year.

FOREST PARK SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

June 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property Taxes (Continued)

Delinquent personal property taxes are recorded as receivable if considered to be collectible within 60 days after year-end. For the year ended June 30, the School District levied 17.7220 operating mills (non-homestead only), and 3.60 mills for debt retirement.

State Revenue

The State of Michigan uses a foundation grant approach which provides for a specific annual amount of revenue per student based on a state-wide formula.

The foundation is funded from state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan.

FOREST PARK SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

June 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

State Revenue (Continued)

The Michigan Department of Education administers the allocation of state funds to school districts based on information supplied by the districts.

The State portion of the foundation grant is provided primarily by a State education property tax millage of 6.00 mills (on both homestead and non-homestead property) and an allocated portion of the State sales and other taxes.

The local portion of the foundation grant is funded primarily by non-homestead property taxes levied at a rate of up to 18 mills.

The State revenue is recognized during the foundation period (currently the fiscal year) and is funded through payments from October 2005 through August 2006.

FOREST PARK SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

June 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

State Revenue (Continued)

The School District also receives revenue from the State to administer certain categorical education programs.

State rules require that revenue earmarked for these programs be expended for its specific purpose. Categorical funds received which are not expended by the close of the fiscal year are recorded as deferred revenue.

State, general, and categorical aids are recognized as revenue in the entitlement year. Federal aids for reimbursement programs are recognized as revenues in the year related program expenditures are incurred. Aids received prior to meeting revenue recognition criteria are recorded as deferred revenues.

FOREST PARK SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

June 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Inventories and Prepaid Items

Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. United States Department of Agriculture commodities inventory received by the Food Service Fund is recorded as both revenue and expense in the year received. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both district-wide and fund financial statements.

Capital Assets

Capital assets, which include land, buildings, equipment, and vehicles are reported in the applicable governmental column in the district-wide financial statements.

FOREST PARK SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

June 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets (Continued)

Capital assets are defined by the government as assets with an initial individual cost of more than \$ 1,000 and an estimated useful life in excess of 1 year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Costs of normal repair and maintenance that do not add to the value or materially extend asset life are not capitalized. The School District does not have infrastructure-type assets.

Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Buildings..... 20 - 30 years

Buses and other vehicles.....5 - 65 years

Furniture and Other

Equipment..... 5 - 20 years

FOREST PARK SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

June 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contingent Liabilities

Unemployment

Payroll and related withholding and expenses which have been earned by School District employees but not paid as of June 30 are recorded as a liability on the School District's balance sheet.

The School District is a reimbursing employer to the Michigan Employment Security Commission and as such is responsible to pay the Commission for those benefits paid and charged to its accounts. As of June 30, 2006 appropriate liabilities have been recorded for all claims paid by the Commission. However, no provision has been made for future payments that might result from claims in process or un-filed.

FOREST PARK SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

June 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contingent Liabilities

Compensated Absences

Sick Leave

The various employment contracts and agreements covering the School District's personnel allow for the accumulation of sick leave as defined.

Although cumulative, the benefit does not vest, i.e., it is forfeited if the employee retires or leaves the employment of the District. The details of each contract/agreement as they relate to the accumulation of sick leave benefits and the corresponding contingent liability as of June 30, 2006 are summarized as follows:

Teaching staff can accumulate up to 200 days of sick leave. Upon retirement, employees with at least (14) years of service are paid for up to a maximum of 100 days of unused sick leave.

FOREST PARK SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

June 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contingent Liabilities (Continued)

Compensated Absences (Continued)

Sick Leave (Continued)

Employees with 50 or less days accrued but unused sick leave days are paid at a rate of \$ 20 per day; employees with more than 50 days accrued sick leave are paid at a rate of \$ 30 per day up to a maximum of 100 days.

Support staff employees with at least 5 years of service with the District can accumulate up to 800 hours of sick leave.

Employees with 400 hours or less are paid at a rate of \$ 20 per 8-hour day; employees with more than 400 hours are paid at a rate of \$ 30 per 8-hour day, up to a maximum of 800 hours.

FOREST PARK SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

June 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contingent Liabilities (Continued)

Compensated Absences (Continued)

Sick Leave (Continued)

At June 30, 2006, the accumulated sick leave liability for all employees, including the related costs of FICA and retirement is estimated at \$ 314,596. Short-term benefits likely to be paid within the next 12 month period would result in a current liability of \$ 31,460. It is estimated that the long-term liability (calculated at the applicable percentage and rate at retirement) is approximately \$283,136.

Based on actual prior year activity and as prescribed by GASB 16, that which could reasonably be expected to be used has been recognized and expended in the current period. The balance, or long-term portion, has been reported as long-term debt in the Statement of Net Assets.

FOREST PARK SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

June 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contingent Liabilities (Continued)

Compensated Absences (Continued)

Sick Leave Bank

The School District maintains a reserve of sick leave to provide for long-term teacher illness in special instances when teachers have exhausted their accumulated benefits. Eligible teachers receive their current contractual rate of pay for a period of up to 180 days. The bank is limited to a maximum of 270 days.

Because the privilege to draw from the sick leave bank is granted on a case-by-case basis at the discretion of the Board of Education, and is not an automatic benefit, benefits accumulated in the sick leave bank are not considered to be a liability of the **Forest Park School District**.

FOREST PARK SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

June 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Non-Monetary Transactions

Federal financial assistance received by school districts may include claims for reimbursement on reimbursable meals and milk served, cash in lieu of commodities, USDA donated commodities (both bonus and entitlement), discounts and rebates for the value of USDA donated commodity ingredients contained in processed foods (end products) provided by the state and federal processing program, respectively, and other payments for administrative costs, etc.

The Single Audit Act of 1984, as amended, and OMB Circular A-133 defines federal financial assistance to include both monetary and non-monetary forms of assistance provided by or passed down from a federal agency, such as grants, contracts, loans, loan guarantees, property, etc.

FOREST PARK SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

June 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Non-Monetary Transactions (Continued)

On this basis, the District recognizes the USDA value of donated commodities (bonus and non-bonus) received and expended in the amount of \$ 14,898 for entitlement commodities, and bonus commodities of \$ 1,705.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Long-Term Obligations

In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statements of net assets.

FOREST PARK SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

June 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Long-Term Obligations (Continued)

Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method.

Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond costs, during the current period.

Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses.

FOREST PARK SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

June 30, 2006

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles and state law for the general and special revenue funds. All annual appropriations lapse at fiscal year end.

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body (i.e., the level at which expenditures may not legally exceed appropriations) is the function level.

FOREST PARK SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

June 30, 2006

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (CONTINUED)

Budgetary Information (Continued)

State law requires the District to have its budget in place by July 01. Expenditures in excess of amounts budgeted is a violation of Michigan Law. State law permits districts to amend its budgets during the year.

**Excess of Expenditures Over Appropriations in
Budgetary Funds**

Budget Violations

P.A. 621 of 1978, SECTION 18 (1), as amended, provides a local unit shall not incur expenditures in excess of the amounts appropriated.

FOREST PARK SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

June 30, 2006

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (CONTINUED)

**Excess of Expenditures Over Appropriations in
Budgetary Funds (Continued)**

Budget Violations

The **Forest Park School District's** actual expenditures and budgeted expenditures for the funds budgeted have been shown on an activity basis. The approved budgets of the **Forest Park School District** were adopted at the activity level. The budget is prepared on the modified accrual basis of accounting, which is the same basis as the financial statements.

The total actual 2005-2006 expenditures for the following activities (cost centers) exceeded the amended budget allocations by a total of \$ 42,150, contrary to the provisions of Section 17, of Public Act 621 of 1978, the "Uniform Budgeting and Accounting Act".

FOREST PARK SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

June 30, 2006

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (CONTINUED)

**Excess of Expenditures Over Appropriations in
Budgetary Funds (Continued)**

Budget Violations (Continued)

<u>ACTIVITY(COST CENTER)</u>	<u>ACTUAL</u>	<u>BUDGET</u>	<u>OVER EXPENDITURES</u>
GENERAL FUND			
Elementary	\$ 1163232	\$ 1150926	\$ 12306
Secondary	1378264	1366382	11882
Pre-Kindergarten	25737	25325	412
Special Education	350483	348530	1953
Compensatory Education	139980	139843	137
 <u>Community School Fund</u>			
Recreation	15607	15193	414
 <u>Food Service Fund</u>			
	<u>231356</u>	<u>216310</u>	<u>15046</u>
Total	\$ 3304659	\$ 3262509	\$ 42150

Fund Deficits

At June 30, 2006, the District had no fund deficit in any fund.

FOREST PARK SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

June 30, 2006

NOTE 3 - DEPOSITS AND INVESTMENTS

State statutes and the School District's investment policy authorize the School District to make deposits in the accounts of the federally insured banks, credit unions, and savings and loan associations that have an office in Michigan; the School District is allowed to invest in U.S. Treasury or Agency obligations, U.S. government repurchase agreements, bankers' acceptances, commercial paper rated prime at the time of purchase that matures not more than 270 days after the date of purchase, mutual funds, and investment pools that are composed of authorized investment vehicles. The School District's deposits are in accordance with statutory authority.

The Governmental Accounting Standards Board Statement No. 3, risk disclosures for the local unit's cash deposits classifies cash according to three levels of risk.

FOREST PARK SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

June 30, 2006

NOTE 3 - DEPOSITS AND INVESTMENTS (CONTINUED)

These three levels of risk are as follows:

Category 1

Deposits which are insured or collateralized with securities held by the District or its agent in the District's name.

Category 2

Deposits which are collateralized with securities held by the pledging financial institution's trust department or agent in the District's name.

Category 3

Deposits which are not collateralized or insured.

Based on these three levels of risk, the District's cash deposits are classified as follows:

FOREST PARK SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

June 30, 2006

NOTE 3 - DEPOSITS AND INVESTMENTS (CONTINUED)

	<u>Category 1</u>	<u>Category 2</u>	<u>Category 3</u>	<u>Totals</u>
Cash and Deposits	\$ 101291	\$ 0	\$ 360809	\$ 462100

	<u>Governmental Activities</u>	<u>Fiduciary Funds</u>	<u>Total Primary Government</u>
Cash and cash equivalents	\$ 372949	\$ 89151	\$ 462100
Investments	<u>0</u>	<u>0</u>	<u>0</u>
Total	\$ 372949	\$ 89151	\$ 462100

The breakdown between deposits and investments for the School District is as follows:

FOREST PARK SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

June 30, 2006

NOTE 3 - DEPOSITS AND INVESTMENTS (CONTINUED)

Deposits (checking and savings accounts, certificates of deposit)	\$ 461950
Investments in securities, mutual funds, and similar vehicles	0
Petty cash/Cash on hand	<u>150</u>
Total	\$ <u>462100</u>

The deposits of the School District were reflected in the accounts of financial institutions at \$ 462,100, of which \$101,291 is covered by federal depository insurance.

Investments are categorized into these categories of credit risk:

Category 1 - Insured or registered, or securities held by the School District or its agent in the School District's name.

FOREST PARK SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

NOTE 3 - DEPOSITS AND INVESTMENTS (CONTINUED)

Category 2 - Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the School District's name.

Category 3 - Uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the School District's name.

At June 30, 2006, the School District's investment balances were categorized as follows:

	<u>Category 1</u>	<u>Category 2</u>	<u>Category 3</u>	<u>Category 4</u>	<u>Market Value</u>
Investments	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0

FOREST PARK SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

June 30, 2006

NOTE 4 - RECEIVABLES

Receivables as of year-end for the School District's individual major funds and the non-major and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	<u>General Operating Funds</u>	<u>Non-major And Other Funds</u>	<u>Total</u>
Receivables:			
Taxes	\$ 76715	\$ 30817	\$ 107532
Intergovernmental	426915	1729	428644
Other	<u>3890</u>	<u>0</u>	<u>3890</u>
Total Receivables	\$ <u>507520</u>	\$ <u>32546</u>	\$ <u>540066</u>

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period.

FOREST PARK SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

June 30, 2006

NOTE 4 - RECEIVABLES (CONTINUED)

Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue are as follows:

	<u>Unavailable</u>	<u>Unearned</u>
Grant and categorical aid payment not considered available	\$ 0	\$ 0
Payments received prior to meeting all eligibility requirements:	<u>0</u>	<u>0</u>
Total	\$ <u>0</u>	\$ <u>0</u>

NOTE 5 - CAPITAL ASSETS

Capital asset activity of the School District's governmental activities was as follows:

FOREST PARK SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

June 30, 2006

NOTE 5 - CAPITAL ASSETS (CONTINUED)

	<u>Balance July 01, 2005</u>	<u>Additions</u>	<u>Disposals and Adjustments</u>	<u>Balance June 30, 2006</u>
Assets not being depreciated:				
Land	\$ 5000	\$ 0	\$ 0	\$ 5000
Capital assets being depreciated:				
Land Improvements	300914	22431	0	323345
Building and building improvements	11774582	108198	0	11882780
Buses and other vehicles	440713	116182	0	556895
Furniture and equipment	<u>669764</u>	<u>60571</u>	<u>0</u>	<u>730335</u>
Subtotal	\$ 13185973	\$ 307382	\$ 0	\$ 13493355
Accumulated Depreciation:				
Land Improvements	131176	15606	0	146782
Building and building improvements	\$ 2744861	\$ 245826	\$ 0	\$ 2990687

(Continued on page 70)

FOREST PARK SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

June 30, 2006

NOTE 5 - CAPITAL ASSETS (CONTINUED)

(Continued from previous page)

	<u>Balance July 01, 2005</u>	<u>Additions</u>	<u>Disposals and Adjustments</u>	<u>Balance June 30 2006</u>
Accumulated Depreciation (Con't)				
Buses and other vehicles	\$ 347599	\$ 30023	\$ 0	\$ 377622
Furniture and equipment	<u>460062</u>	<u>46357</u>	<u>0</u>	<u>506419</u>
Subtotal	3683698	337812	0	4021510
Net capital assets being depreciated	<u>9502275</u>	<u>(30430)</u>	<u>0</u>	<u>9471845</u>
Net capital assets	\$ <u>9507275</u>	\$ <u>(30430)</u>	\$ <u>0</u>	\$ <u>9476845</u>

Depreciation expense was not charged to activities as the District considers its assets to impact multiple activities and allocation is not practical.

FOREST PARK SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

June 30, 2006

NOTE 6 – INTER-FUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of inter-fund balances is as follows:

Do To/From Other Funds:

The amounts of inter-fund receivables and payables as of June 30, 2006 were as follows:

<u>Fund</u>	<u>Inter-fund Receivable</u>	<u>Inter-fund Payable</u>
General Fund	\$ 87163	\$ 33401
Food Service	0	0
Debt Retirement	0	10114
Community Schools	33401	63635
Athletic	0	3528
Capital Projects	10114	20000
Revolving Fund	78	0
Scholarship Fund	<u>0</u>	<u>78</u>
Totals	\$ <u>130756</u>	\$ <u>130756</u>

FOREST PARK SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

June 30, 2006

NOTE 6 – INTER-FUND RECEIVABLES, PAYABLES, AND TRANSFERS (CONTINUED)

Do To/From Other Funds: (Continued)

The General Fund transfers monies to other governmental funds as needed to support the activities of the District. The above schedule represents amounts pending at year-end.

Operating Transfers

Inter-fund transfers are the result of legally authorized transfers from a fund receiving revenue to the fund through which the resources are to be expended.

During the fiscal year ended June 30, 2006, the District authorized the following transfers:

FOREST PARK SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

June 30, 2006

NOTE 6 – INTER-FUND RECEIVABLES, PAYABLES, AND TRANSFERS (CONTINUED)

Operating Transfers (Continued)

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 0	\$ 190295
Athletic Fund	85005	0
Capital Projects	20000	0
Debt Retirement	51889	0
Community Schools	<u>33401</u>	<u>0</u>
Totals	\$ <u>190295</u>	\$ <u>190295</u>

General Fund transfers monies as needed to the Athletic Fund, Capital Project Fund, and Debt Retirement Fund to support those fund activities.

FOREST PARK SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

June 30, 2006

NOTE 6 – INTER-FUND RECEIVABLES, PAYABLES, AND TRANSFERS (CONTINUED)

Other Financing Sources (Uses)

The transfers of cash between various District funds are budgeted but reported separately from revenues and expenditures as operating transfers in or (out), unless they represent temporary advances that are to be repaid, in which case, they are carried as assets and liabilities of the advancing or borrowing funds.

NOTE 7 - DEFERRED REVENUE

Governmental funds report deferred revenue in connection with receivables for revenue that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned.

At June 30, 2006, the District reported no deferred revenue.

FOREST PARK SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

June 30, 2006

NOTE 8 - LONG-TERM DEBT

The School District issues bonds, notes, and other contractual commitments to provide for the acquisition and construction of major capital facilities and the acquisition of certain equipment. General Obligation Bonds are direct obligations and pledge the full faith and credit of the School District. Other long-term obligations include compensated absences, claims and judgments, termination benefits, and certain risk obligations.

Long-term obligation activity can be summarized as follows:

	Balance <u>07/01/05</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>06/30/06</u>
1997 School Building & Site Bonds	\$ 320000	\$ 0	\$ 320000	\$ 0
2005 Refunding Bonds	4795000	0	0	4795000
M-TEC Loan (6/2/05)	40608	0	10067	30541
Durant Resolution Package Bonds	33278	0	2521	30757
First National Bank of Crystal Falls (Bus Garage)	162966	0	33402	129564
Northern Michigan Bank & Trust (Bus Loan)	0	96200	7506	88694
Long-term Employee Benefits Payable	251528	31608	0	283136
Retirement Incentive Payable	<u>240043</u>	<u>0</u>	<u>76681</u>	<u>163362</u>
Totals	\$ <u>5843423</u>	\$ <u>127808</u>	\$ <u>450177</u>	\$ <u>5521054</u>

FOREST PARK SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

June 30, 2006

NOTE 8 - LONG-TERM DEBT (CONTINUED)

2005 REFUNDING BONDS

On March 16, 2005, the District issued \$ 4,795,000 in general obligation, unlimited tax refunding bonds for the purpose of refunding a portion of the 1997 bonds maturing in the years 2007 to 2017. The bonds pledge the full faith and credit of the School District for payment of the principal and interest thereon and will be payable from ad valorem taxes, which may be levied on all taxable property in the School District without limitation as to rate or amount.

The bonds are fully qualified for the Michigan School Bond Loan Fund Program pursuant to Act 108, Public Acts of Michigan, 1961, as amended, enacted pursuant to Article IX, Section 16 of the Michigan Constitution of 1963.

FOREST PARK SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

June 30, 2006

NOTE 8 - LONG-TERM DEBT (CONTINUED)

2005 REFUNDING BONDS (Continued)

The principal and interest requirements are as follows:

<u>Payment Date</u>	<u>Principal Due</u>	<u>Interest Due</u>	<u>Total Payment</u>
11/01/2006	\$ 0	\$ 101175	\$ 101175
05/01/2007	380000	101175	481175
11/01/2007	0	95475	95475
05/01/2008	390000	95475	485475
11/01/2008	0	89625	89625
05/01/2009	400000	89625	489625
11/01/2009	0	83625	83625
05/01/2010	415000	83625	498625
11/01/2010	0	73250	73250

(Continued on page 78)

FOREST PARK SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

June 30, 2006

NOTE 8 - LONG-TERM DEBT (CONTINUED)

2005 REFUNDING BONDS (Continued)

<u>Payment Date</u>	<u>Principal Due</u>	<u>Interest Due</u>	<u>Total Payment</u>
05/01/2011	\$ 430000	\$ 73250	\$ 503250
05/01/2011	0	62500	62500
05/01/2012	450000	62500	512500
05/01/2012	0	51250	51250
11/01/2013	465000	51250	516250
05/01/2013	0	39625	39625
05/01/2014	465000	39625	504625
11/01/2014	0	28000	28000
05/01/2015	465000	28000	493000
11/01/2015	0	18700	18700
05/01/2016	465000	18700	483700
11/01/2016	0	9400	9400
05/01/2017	<u>470000</u>	<u>9400</u>	<u>479400</u>
Totals	\$4795000	\$ 1305250	\$ 6100250

FOREST PARK SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

June 30, 2006

NOTE 8 - LONG-TERM DEBT (CONTINUED)

M-TECH LOAN

On June 02, 2005, the District executed a note in the amount of \$ 41,446, with M-Tech bearing interest at a nominal annual rate of 2.0%. Beginning June 29, 2005, the District was required to make monthly payments in the amount of \$ 898.96, with the last scheduled payment to be made on May 29, 2009. Proceeds from the loan were used to make energy improvements. The loan balance as of June 30, 2006 was \$ 30,541.

DURANT SETTLEMENT

The Durant class-action lawsuit resulted in a judgment of \$212 million against the State of Michigan. The State mandated specific education programs, but failed to compensate local school districts for the increased cost of mandated programs.

FOREST PARK SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

June 30, 2006

NOTE 8 - LONG-TERM DEBT (CONTINUED)

DURANT SETTLEMENT (Continued)

The local school districts that did not participate in the class-action lawsuit were offered a settlement in lieu of future litigation.

The Districts with settlement amounts greater than or equal to \$75,000 were to receive one-half of the settlement amount over a period of ten years beginning November 15, 1998. Restrictions on the use of these funds are stated in 11f(6):school buses, electronic instructional material and software, school security, textbooks, technology, infrastructure or infrastructure improvement, training for technology, or to reduce or eliminate voter-approved debt that was issued prior to 11/19/97.

The District opted to participate in a bonding program, whereby the District would receive bond proceeds equal to the other half of the settlement amount (\$52,090).

FOREST PARK SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

June 30, 2006

NOTE 8 - LONG-TERM DEBT (CONTINUED)

DURANT SETTLEMENT (Continued)

The bonds were issued through the Michigan Municipal Bond Authority as School Loan Revenue Bonds, Series 1998.

The proceeds of the bonds were to be used for capital expenditures and to pay costs of bond issuance, and were not to be used for maintenance cost.

The Durant bonds are considered to be a legal obligation of the District and are recorded in the District's General Long-Term Debt Account Group. The annual State of Michigan appropriation is the only revenue source for making the annual debt service payment on the bonds. If the legislature fails to appropriate the funds, the District is under no obligation for payment.

FOREST PARK SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

June 30, 2006

NOTE 8 - LONG-TERM DEBT (CONTINUED)

SCHOOL IMPROVEMENT BOND, SERIES 1998

(Continued)

Repayment of the Principal Amount shall be made according to the following schedule until the full Principal Amount is repaid.

In the event that the Authority elects to adjust the interest rates payable on this bond, the Authority may prepare and substitute a new payment schedule reflecting such adjustment, a copy of which shall be sent to the School District and to the Authority's Depository.

<u>Payment Dates Due on May 15</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Principal and Interest</u>
2007	\$ 2640.76	\$ 1016.52	\$ 3657.28
2008	2767.17	890.78	3657.95

(Continued on page 83)

FOREST PARK SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

June 30, 2006

NOTE 8 - LONG-TERM DEBT (CONTINUED)

SCHOOL IMPROVEMENT BOND, SERIES 1998
(Continued)

(Continued from previous page)

Payment Dates <u>Due on May 15</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Principal and Interest</u>
2009	2898.95	759.03	3657.98
2010	3036.84	621.00	3657.84
2011	3181.48	476.41	3657.89
2012	3332.78	324.92	3657.70
2013	<u>12898.95</u>	<u>4362.44</u>	<u>17261.39</u>
Total	\$ <u>30756.93</u>	\$ <u>8451.10</u>	\$ <u>39208.03</u>

FOREST PARK SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

June 30, 2006

NOTE 8 - LONG-TERM DEBT (CONTINUED)

**SCHOOL IMPROVEMENT BOND, SERIES 1998
(Continued)**

<p>Total Settlement Amount of \$ 104,179.00 Bonded Settlement amount of \$ 52,089.50</p>
--

<p>Annual Interest Rate is 4.761353% Average Life of bonds is 6.783 years</p>

**FIRST NATIONAL BANK OF CRYSTAL FALLS
INSTALLMENT NOTE # 92566**

On December 15, 1999, the District executed a loan in the amount of \$314,000 from the First National Bank of Crystal Falls to defray the costs of constructing a new bus garage.

The installment note bears interest at the rate of 5.740%; requires monthly installment payments of \$3458.46 payable on January 15, 2000 and in the 15th day of each month thereafter for 120 months until maturity on December 15, 2009. The unpaid balance on June 30, 2006 was \$129,564.

FOREST PARK SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

June 30, 2006

NOTE 8 - LONG-TERM DEBT (CONTINUED)

**NORTHERN MICHIGAN BANK & TRUST
INSTALLMENT NOTE # 30029205-1**

On August 26, 2005, the District executed a loan in the amount of \$96,200 from the Northern Michigan Bank & Trust of Kingsford to purchase two school buses.

The installment note bears interest at the rate of 4.350%; requires semi-annual principal installments over a 6 year period commencing on February 28, 2006 and semi-annually thereafter until August 26, 2011. The principal loan balance as of June 30, 2006 was \$88,694.

ACCRUED LONG-TERM SICK LEAVE

On June 30, 2006, the District's estimated liability for long-term sick leave payable, plus the related costs of FICA, Medicare, and retirement was \$ 283,136.

RETIREMENT INCENTIVE PAYABLE

On June 30, 2006, the long-term retirement incentive is payable as follows:

2006-07	\$ 76,680.91
2007-08	76,680.91
2008-09	<u>10,000.00</u>
	\$ 163,361.82

FOREST PARK SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

June 30, 2006

NOTE 9 - RISK MANAGEMENT

The School District is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The School District maintains commercial insurance coverage covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the School District. Settled claims relating to the commercial insurance did not exceed the amount of insurance coverage in any of the past three years.

NOTE 10 - EMPLOYEE RETIREMENT SYSTEM-DEFINED BENEFIT PLAN

The School District contributes to the Michigan Public School Employees' Retirement system (MPERS), a cost-sharing multiple-employer defined benefit pension administered by the Michigan Department of Management and Budget, Office of Retirement Systems.

FOREST PARK SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

June 30, 2006

NOTE 10 - EMPLOYEE RETIREMENT SYSTEM-DEFINED BENEFIT PLAN (CONTINUED)

MPSERS provides retirement, survivor and disability benefits to public school employees. Eligibility and benefit provisions are governed under Public Act 136 of 1945, re-codified and currently operating under the provisions of Public Act 300 of 1980, as amended. MPSERS issues a publicly available financial report that includes financial statements and required supplementary information.

The annual report may be obtained by calling (517) 322-5103 or by writing to:

**Department of Management and Budget
Office of Retirement Systems
P.O. Box 30673
Lansing, Michigan 48909-8103**

FOREST PARK SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

June 30, 2006

NOTE 10 - EMPLOYEE RETIREMENT SYSTEM-DEFINED BENEFIT PLAN (CONTINUED)

The School District is required by state statute to contribute 14.87% of covered payroll from July 01, 2005 through September 30, 2005, increasing to 16.34% from October 01, 2005 through June 30, 2006. Contributions to MPSERS are determined on an actuarial basis using the entry age normal actuarial cost method. Contribution requirements of plan members including the School District are established and may be amended only by state statute.

The School District's contributions to MPSERS for the year ending June 30, 2006, 2005, and 2004, were \$ 459,915, \$ 392,091, and \$ 360,940, respectively.

Mandatory member contributions were phased out between 1974 and 1977, with the plan remaining noncontributory until January 1, 1987, when the Member Investment Plan (MIP) was enacted. MIP members enrolled prior to January 01, 1990, contribute at a permanently fixed rate of 3.9% of gross wages.

FOREST PARK SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

June 30, 2006

NOTE 10 - EMPLOYEE RETIREMENT SYSTEM-DEFINED BENEFIT PLAN (CONTINUED)

The MIP contribution rate was 4.0% from January 1, 1987, the effective date of the MIP, until January 1, 1990, when it was reduced to 3.9%. Members first hired January 1, 1990 or later and returning members who did not work between January 1, 1987 through December 31, 1989, contribute at the following graduated permanently fixed contribution rate: 3% of the first \$5,000; 3.6% of \$5,001 through \$15,000; 4.3% of all wages over \$15,000.

Basic Plan members make no contributions. Contributions collected and remitted by the School District on behalf of MIP members for the years ending June 30, 2006, 2005, and 2004 were \$81,722, \$ 71,915, and \$ 73,016, respectively, equal to the required contributions for the year.

FOREST PARK SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

June 30, 2006

NOTE 11 - POST-EMPLOYMENT BENEFITS

In addition to the pension benefits, MPSERS provides comprehensive group medical, hearing, dental and vision coverage for retirees and beneficiaries. A significant portion of the premium is paid by MPSERS with the balance deducted from the monthly pension of the retiree. The portion provided by MPSERS is factored into the pension contribution rate.

NOTE 12 - RELATED PARTY TRANSACTIONS

Related parties exist when there is a relationship that offers the potential for transactions at less than arm's length, favorable treatment, or the ability to influence the outcome of events differently from that which might result in the absence of that relationship.

Financial statements must include disclosure of material related party transactions, other than compensation arrangements, expense allowances and similar items in the ordinary course of business.

FOREST PARK SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

June 30, 2006

NOTE 12 - RELATED PARTY TRANSACTIONS (CONTINUED)

However, disclosure of transactions that are eliminated in the preparation of combined financial statements is not required in those statements.

On this basis, there were no related party transactions reported in the financial statements.

NOTE 13 – SUBSEQUENT EVENTS

Subsequent events have a material effect on the financial statements which requires adjustment or disclosure. They relate to events that provide additional evidence with respect to conditions that existed at the date of the balance sheet and events that provide evidence with respect to conditions that did not exist at the date of the balance sheet but arose subsequent to that date.

At fiscal year ended June 30, 2006, there were no other subsequent events that would have a significant affect on the District's operations.

FOREST PARK SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

June 30, 2006

NOTE 14 - COMMITMENTS AND CONTINGENCIES

The District participates in numerous state and federal grant programs which are governed by various rules and regulations of the grantor agencies.

Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, refunds of money received may be required and the collectibility of any related receivable at June 30, 2006 may be impaired.

In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying combined financial statements for such contingencies.

FOREST PARK SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

June 30, 2006

NOTE 15 - COPIER-RENTAL AGREEMENT

On August 21, 2003, the District entered into a rental agreement with U.P. Office Equipment Systems to rent two Sharp copiers for 36 months at a rate of .014 cents per copy, based on a minimum of 400,000 copies annually.

REQUIRED SUPPLEMENTAL INFORMATION

FOREST PARK SCHOOL DISTRICT

REQUIRED SUPPLEMENTAL INFORMATION

BUDGETARY COMPARISON SCHEDULE – GENERAL OPERATING FUNDS

FISCAL YEAR ENDED JUNE 30, 2006

	ORIGINAL BUDGET	FINAL AMENDED BUDGET	ACTUAL
<u>REVENUE</u>			
Local Sources	\$ 2,150,477	\$ 2,344,332	\$ 2,345,777
State Sources	2,240,807	2,292,042	2,296,522
Federal Sources	150,156	145,650	145,724
Interdistrict and Other Sources	44,924	43,715	47,597
TOTAL REVENUE	\$ 4,586,364	\$ 4,825,739	\$ 4,835,620
<u>EXPENDITURES - CURRENT</u>			
<i>Instruction :</i>			
Basic Programs	2,646,726	2,680,447	2,698,529
Added Needs	532,220	589,326	590,431
<i>Supporting Services :</i>			
Pupil	35,168	40,543	39,944
Instructional Staff	13,600	13,360	13,359
General Administration	211,429	230,247	227,398
School Administration	177,825	167,672	166,802
Business Services	72,858	71,588	68,812
Operation and Maintenance	548,721	595,555	582,769
Transportation	296,171	242,914	229,966
Other Supporting Services	99,021	102,668	102,124
Community Services	13,515	15,193	15,607
TOTAL EXPENDITURES	\$ 4,647,254	\$ 4,749,513	\$ 4,735,741
<u>OTHER FINANCING SOURCES (USES)</u>			
Operating Transfers In	32,993	35,993	33,401
Operating Transfers Out	(236,080)	(194,889)	(190,295)
NET CHANGE IN FUND BALANCE	(296,970)	(82,670)	(57,015)
FUND BALANCE - BEGINNING OF YEAR	405,850	405,850	405,850
FUND BALANCE - END OF YEAR	\$ 108,880	\$ 323,180	\$ 348,835

The notes to the financial statements are an integral part of this report.

OTHER SUPPLEMENTAL INFORMATION

FOREST PARK SCHOOL DISTRICT

OTHER SUPPLEMENTAL INFORMATION

COMBINING BALANCE SHEET – NON-MAJOR GOVERNMENTAL FUNDS

JUNE 30, 2006

	<u>Special Revenue Funds</u>		
	<u>Food Service</u>	<u>Athletic Fund</u>	<u>Total</u>
<u>ASSETS</u>			
Cash and Investments (Note 3)	\$ 15,983	\$ 3,528	\$ 19,511
Receivables			
Accounts Receivable	1,729		1,729
Due from Other Funds			-
Inventories	<u>4,366</u>	<u></u>	<u>4,366</u>
TOTAL ASSETS	<u>\$ 22,078</u>	<u>\$ 3,528</u>	<u>\$ 25,606</u>
<u>LIABILITIES AND FUND BALANCES</u>			
<u>LIABILITIES</u>			
Accounts Payable	-	-	-
Due to Other Funds	<u></u>	<u>3,528</u>	<u>3,528</u>
TOTAL LIABILITIES	-	3,528	3,528
<u>FUND BALANCES</u>			
Reserved for Food Services	22,078		22,078
Reserved for Athletics	<u></u>	<u></u>	<u>-</u>
TOTAL FUND BALANCES	22,078	-	22,078
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 22,078</u>	<u>\$ 3,528</u>	<u>\$ 25,606</u>

The notes to the financial statements are an integral part of this report.

FOREST PARK SCHOOL DISTRICT

OTHER SUPPLEMENTAL INFORMATION

**COMBINING STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND
BALANCES – NON-MAJOR GOVERNMENTAL FUNDS**

YEAR ENDED JUNE 30, 2006

	<u>Special Revenue Funds</u>		
	<u>Food Service</u>	<u>Athletic Fund</u>	<u>Total</u>
<u>Revenue</u>			
Local Revenue	\$ 94,059	\$ 59,788	\$ 153,847
State Revenue	7,313	-	7,313
Federal Revenue	131,205	-	131,205
Total Revenue	\$ 232,577	\$ 59,788	\$ 292,365
<u>Expenditures</u>			
<i>Current:</i>			
Salaries	66,216	89,079	155,295
Insurance	15,539	9,449	24,988
Fringe Benefits	23,585	18,965	42,550
Purchased Services	-	-	-
Supplies and Materials	122,590	16,104	138,694
Capital Outlay		16,415	16,415
Other	3,426	17,199	20,625
Total Expenditures	\$ 231,356	\$ 167,211	\$ 398,567
Excess (Deficiency) of Revenues Over Expenditures	1,221	(107,423)	(106,202)
<u>Other Financing Sources (Uses)</u>			
Operating transfers in	-	85,005	85,005
Operating transfers out	-		
Total Other Financing Sources (Uses)	-	85,005	85,005
Net Change in Fund Balances	1,221	(22,418)	(21,197)
FUND BALANCE - BEGINNING OF YEAR	20,857	22,418	43,275
FUND BALANCE - END OF YEAR	\$ 22,078	\$ -	\$ 22,078

The notes to the financial statements are an integral part of this report.

FOREST PARK SCHOOL DISTRICT

ALL GENERAL OPERATING FUNDS – COMBINING BALANCE SHEET

JUNE 30, 2006

	General Fund	Community School Fund	Total
<u>ASSETS</u>			
Cash	\$ 87,156	\$ 22,742	\$ 109,898
Taxes Receivable	76,715	-	76,715
Accounts Receivable			
Federal	-	-	-
State	423,313	3,602	426,915
Other	-	3,890	3,890
Due From Other Funds	87,163	33,401	120,564
Inventory	20,498	-	20,498
TOTAL ASSETS	<u>\$ 694,845</u>	<u>\$ 63,635</u>	<u>\$ 758,480</u>
<u>LIABILITIES AND FUND EQUITY</u>			
<u>LIABILITIES</u>			
Accrued Benefits	157,307	-	157,307
Salaries Payable	155,302	-	155,302
Due To Other Funds	33,401	63,635	97,036
TOTAL LIABILITIES	346,010	63,635	409,645
<u>FUND EQUITY</u>			
Fund Balance, Designated for Future		-	-
Operations	275,822		275,822
Fund Balance, Designated for Capital Outlay	73,013	-	73,013
Fund Balance, Unreserved & Undesignated	-	-	-
TOTAL FUND EQUITY	348,835	-	348,835
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 694,845</u>	<u>\$ 63,635</u>	<u>\$ 758,480</u>

The notes to the financial statements are an integral part of this report.

FOREST PARK SCHOOL DISTRICT

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES - ALL GENERAL OPERATING FUNDS**

June 30, 2006

	<u>General Fund</u>	<u>Community School Fund</u>	<u>Total</u>
<u>REVENUES</u>			
<u>Local Sources</u>			
Current Tax Levy	\$ 2,016,022	\$ -	\$ 2,016,022
Other Local Revenue	247,629	82,126	329,755
<u>State Sources</u>			
State Aid	2,069,821	19,800	2,089,621
Other State Revenue	206,901	-	206,901
<u>Federal Sources</u>			
Federal Grants	145,724	-	145,724
TOTAL REVENUE	\$ 4,686,097	\$ 101,926	\$ 4,788,023
<u>OTHER FINANCING SOURCES</u>			
Fund Modifications and Other Transactions	47,597	33,401	80,998
TOTAL REVENUES AND OTHER FINANCING SOURCES	<u>4,733,694</u>	<u>135,327</u>	<u>4,869,021</u>
<u>EXPENDITURES</u>			
Educational			
Instructional	3,220,628	-	3,220,628
Supporting Services	1,376,397	-	1,376,397
Community Services	-	138,716	138,716
TOTAL EXPENDITURES	4,597,025	138,716	4,735,741
<u>OTHER FINANCING USES</u>			
Fund Modifications	190,295	-	190,295
Other Transactions	-	-	-
TOTAL EXPENDITURES AND OTHER FINANCING SOURCES	4,787,320	138,716	4,926,036
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	(53,626)	(3,389)	(57,015)
FUND BALANCE, JULY 1	402,461	3,389	405,850
FUND BALANCE, JUNE 30	<u>\$ 348,835</u>	<u>\$ -</u>	<u>\$ 348,835</u>

The notes to the financial statements are an integral part of this report.

FOREST PARK SCHOOL DISTRICT

SPECIAL REVENUE FUNDS – COMBINING BALANCE SHEET

JUNE 30, 2006

	Food Service Fund	Inter- Scholastic Athletic Fund	Total
<u>ASSETS</u>			
Cash	\$ 15,983	\$ 3,528	\$ 19,511
Inventory	4,366	-	4,366
Due From Other Funds	-	-	-
Accounts Receivable	1,729	-	1,729
TOTAL ASSETS	<u>\$ 22,078</u>	<u>\$ 3,528</u>	<u>\$ 25,606</u>
<u>LIABILITIES AND FUND EQUITY</u>			
<u>LIABILITIES</u>			
Due To Other Funds	\$ -	\$ 3,528	\$ 3,528
TOTAL LIABILITIES	\$ -	\$ 3,528	\$ 3,528
<u>FUND EQUITY</u>			
Fund Balance, Unreserved	22,078	-	22,078
TOTAL FUND EQUITY	22,078	-	22,078
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 22,078</u>	<u>\$ 3,528</u>	<u>\$ 25,606</u>

The notes to the financial statements are an integral part of this report.

FOREST PARK SCHOOL DISTRICT

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES – SPECIAL REVENUE FUNDS**

FISCAL YEAR ENDED JUNE 30, 2006

	<u>Food Service Fund</u>	<u>Interscholastic Athletic Fund</u>	<u>Total</u>
<u>REVENUES</u>			
School Service Activities :			
Student Lunches - Type A	\$ 47,535	\$ -	\$ 47,535
Adult Lunches	5,503		5,503
Milk	241		241
Ala Carte	39,399		39,399
Catering	1,265		1,265
General Admissions and Other	-	59,081	59,081
Interest	116	80	196
Donation	-	627	627
Federal Sources :			
Federal Aid	114,603	-	114,603
USDA Commodities/Bonus	16,602	-	16,602
State Sources :			
School Lunch Program	<u>7,313</u>	<u>-</u>	<u>7,313</u>
TOTAL REVENUES	\$ 232,577	\$ 59,788	\$ 292,365
<u>OTHER FINANCING SOURCES</u>			
Transfers From General Fund	<u>-</u>	<u>85,005</u>	<u>85,005</u>
TOTAL REVENUES AND OTHER FINANCING SOURCES	232,577	144,793	377,370
<u>EXPENDITURES</u>			
Professional Salaries	-	72,249	72,249
Nonprofessional Salaries	66,216	16,830	83,046
Insurance	15,539	9,449	24,988
FICA/Retirement	16,295	18,965	35,260
Other Benefits	7,290	16,104	23,394
Supplies and Materials	122,590	7,288	129,878
Capital Outlay	-	16,415	16,415
Other	<u>3,426</u>	<u>9,911</u>	<u>13,337</u>
TOTAL EXPENDITURES	\$ 231,356	\$ 167,211	\$ 398,567
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES	1,221	(22,418)	(21,197)
FUND BALANCE, JULY 1	<u>20,857</u>	<u>22,418</u>	<u>43,275</u>
FUND BALANCE, JUNE 30	<u>\$ 22,078</u>	<u>\$ -</u>	<u>\$ 22,078</u>

The notes to the financial statements are an integral part of this report.

FOREST PARK SCHOOL DISTRICT

GENERAL FUND – COMPARATIVE BALANCE SHEET

JUNE 30, 2006 and 2005

	<u>2006</u>	<u>2005</u>
<u>ASSETS</u>		
Cash and Deposits	\$ 87,156	\$ 313,661
Taxes Receivable	76,715	7,011
Accounts Receivable :		
Federal	-	-
State	423,313	445,271
Other	-	-
Due From Other Funds	87,163	8,862
Inventory	<u>20,498</u>	<u>8,401</u>
TOTAL ASSETS	<u>\$ 694,845</u>	<u>\$ 783,206</u>
<u>LIABILITIES AND FUND EQUITY</u>		
<u>LIABILITIES</u>		
Accrued Benefits	157,307	127,698
Accounts Payable	-	10,967
Salaries Payable	155,302	231,335
Due To Other Funds	<u>33,401</u>	<u>10,745</u>
TOTAL LIABILITIES	\$ 346,010	\$ 380,745
<u>FUND EQUITY</u>		
Fund Balance, Designated for Textbooks	-	7,000
Fund Balance, Designated for Future Operations	275,822	273,519
Fund Balance, Designated for Capital Projects	73,013	
Fund Balance, Unreserved & Undesignated	<u></u>	<u>121,942</u>
TOTAL FUND EQUITY	348,835	402,461
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 694,845</u>	<u>\$ 783,206</u>

The notes to the financial statements are an integral part of this report.

FOREST PARK SCHOOL DISTRICT

GENERAL FUND - STATEMENT OF REVENUES – ACTUAL COMPARED TO BUDGET

Fiscal Year Ended June 30, 2006

(With Comparative Totals for Fiscal Year Ended June 30, 2005)

	FISCAL YEAR ENDED JUNE 30, 2006			FISCAL YEAR ENDED 6/30/05
	ACTUAL	BUDGET	VARIANCE FAVORABLE (UNFAVORABLE)	
<u>REVENUES</u>				
<u>LOCAL SOURCES</u>				
Current Tax Levy	\$ 2,016,022	\$ 2,026,300	\$ (10,278)	\$1,927,581
Other Taxes	-		-	587
Penalties and Interest on				
Delinquent Taxes	2,687	2,700	(13)	4,491
Interest Income	5,339	5,375	(36)	5,549
Other Local Revenue	239,603	230,264	9,339	53,607
TOTAL REVENUES FROM LOCAL SOURCES	\$ 2,263,651	\$ 2,264,639	\$ (988)	\$1,991,815
<u>STATE SOURCES</u>				
State School Aid	2,069,821	2,054,203	15,618	2,187,046
At Risk	96,827	96,472	355	83,292
Special Education	93,332	104,441	(11,109)	108,591
State Aid Restricted/Durant	5,209	5,208	1	5,209
Gifted and Talented	-	17	(17)	72
Driver Education	-	-	-	3,243
Renaissance Zone	11,533	10,703	830	10,686
Advanced & Acc Learning	-	-	-	88
TOTAL REVENUES FROM STATE SOURCES	2,276,722	2,271,044	5,678	2,398,227
<u>FEDERAL SOURCES</u>				
Title I	92,893	92,893	-	106,893
Title II	35,634	35,634	-	36,703
Title II Carryover	-		-	9,440
Title II D	1,733	1,732	1	2,717
Title V	2,521	2,521	-	3,843
REAP	12,943	12,870	73	-
TOTAL REVENUES FROM FEDERAL SOURCES	\$ 145,724	\$ 145,650	\$ 74	\$ 159,596

The notes to the financial statements are an integral part of this report.

FOREST PARK SCHOOL DISTRICT

GENERAL FUND - STATEMENT OF REVENUES – ACTUAL COMPARED TO BUDGET
(Continued)

Fiscal Year Ended June 30, 2006
(With Comparative Totals for Fiscal Year Ended June 30, 2005)

	<u>FISCAL YEAR ENDED JUNE 30, 2006</u>			<u>FISCAL YEAR ENDED 6/30/2005</u>
	<u>ACTUAL</u>	<u>BUDGET</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>	
<u>OTHER FINANCING SOURCES</u>				
Payments From Other				
Governmental Units :				
Federal Sources	\$ 21,716	\$ 21,715	\$ 1	\$ 29,568
State Sources	18,267	18,300	(33)	16,946
Other	7,614	3,700	3,914	3,685
TOTAL OTHER FINANCING SOURCES	47,597	43,715	3,882	50,199
 TOTAL REVENUES AND OTHER FINANCING SOURCES	 <u>\$ 4,733,694</u>	 <u>\$ 4,725,048</u>	 <u>\$ 8,646</u>	 <u>\$4,599,837</u>

The notes to the financial statements are an integral part of this report.

FOREST PARK SCHOOL DISTRICT

GENERAL FUND - STATEMENT OF EXPENDITURES – ACTUAL COMPARED TO BUDGET

Fiscal Year Ended June 30, 2006
(With Comparative Totals for Fiscal Year Ended June 30, 2005)

	FISCAL YEAR ENDED JUNE 30, 2006			FISCAL YEAR ENDED 6/30/05
	ACTUAL	BUDGET	VARIANCE FAVORABLE (UNFAVORABLE)	
<u>INSTRUCTIONAL</u>				
<u>BASIC PROGRAMS</u>				
<u>Elementary</u>				
Professional Salaries	\$ 726,196	\$ -	\$ -	\$ 653,803
Insurance	182,279			145,044
FICA/Retirement	197,451			201,084
Other Benefits	5,636			21,481
Purchased Services	10,239			9,613
Supplies and Materials	36,996			19,806
Capital Outlay	2,299			-
Other	2,136	-	-	1,590
Total Elementary	1,163,232	1,150,926	(12,306)	1,052,421
<u>Secondary</u>				
Professional Salaries	839,170	-	-	830,947
Insurance	219,720			201,020
FICA/Retirement	229,585			232,495
Other Benefits	9,068			11,629
Purchased Services	17,252			18,139
Supplies and Materials	44,480			34,525
Capital Outlay	6,432			-
Other	12,557	-	-	7,461
Total Secondary	1,378,264	1,366,382	(11,882)	1,336,216
<u>Pre-Kindergarten</u>				
Professional Salaries	15,455	-	-	14,550
Insurance	6,390			7,380
FICA/Retirement	3,662			3,079
Other Benefits	31			10
Other	199	-	-	199
Total Pre-Kindergarten	\$ 25,737	\$ 25,325	\$ (412)	\$ 25,218

The notes to the financial statements are an integral part of this report.

FOREST PARK SCHOOL DISTRICT

GENERAL FUND - STATEMENT OF EXPENDITURES – ACTUAL COMPARED TO BUDGET
(Continued)

Fiscal Year Ended June 30, 2006
(With Comparative Totals for Fiscal Year Ended June 30, 2005)

	FISCAL YEAR ENDED JUNE 30, 2006			FISCAL
			VARIANCE	YEAR
	ACTUAL	BUDGET	FAVORABLE	ENDED
INSTRUCTIONAL (Continued)			(UNFAVORABLE)	6/30/2005
BASIC PROGRAMS (Continued)				
<u>Computer Education</u>				
Purchased Services	\$ 34,811	\$ -	\$ -	\$ 33,850
Supplies and Materials	16,657			5,843
Capital Outlay	-			3,425
Other	11,496	-	-	11,304
Total Computer Education	62,964	69,358	6,394	54,422
TOTAL BASIC PROGRAMS	\$ 2,630,197	\$ 2,611,991	\$ (18,206)	\$2,468,277
 ADDED NEEDS				
<u>Special Education</u>				
Professional Salaries	160,461	-	-	191,510
Nonprofessional Salaries	64,298			21,105
Insurance	46,486			57,196
FICA/Retirement	54,179			47,342
Other Benefits	13,667			9,250
Purchased Services	7,812			20,832
Supplies and Materials	3,472			3,296
Other	108	-	-	202
Total Special Education	350,483	348,530	(1,953)	350,733
<u>Compensatory Education</u>				
Professional Salaries	60,710	-	-	67,366
Nonprofessional Salaries	19,037			14,296
Insurance	26,643			28,034
FICA/Retirement	28,861			28,627
Other Benefits	1,549			1,951
Purchased Services	1,686			950
Supplies and Materials	1,494	-	-	1,542
Total Compensatory Education	\$ 139,980	\$ 139,843	\$ (137)	\$ 142,766

The notes to the financial statements are an integral part of this report.

FOREST PARK SCHOOL DISTRICT

GENERAL FUND - STATEMENT OF EXPENDITURES – ACTUAL COMPARED TO BUDGET
(Continued)

Fiscal Year Ended June 30, 2006
(With Comparative Totals for Fiscal Year Ended June 30, 2005)

	FISCAL YEAR ENDED JUNE 30, 2006			FISCAL YEAR ENDED 6/30/2005
	ACTUAL	BUDGET	VARIANCE FAVORABLE (UNFAVORABLE)	
<u>INSTRUCTIONAL (Continued)</u>				
<u>ADDED NEEDS (Continued)</u>				
<u>At Risk Program</u>				
Professional Salaries	\$ 59,789	\$ -	\$ -	\$ 72,346
Insurance	11,215			12,643
FICA/Retirement	14,127			16,031
Other Benefits	40			873
Purchased Services	6,700			6,500
Supplies and Materials	6,395			6,495
Other	1,702	-	-	1,530
Total At Risk Program	99,968	100,953	985	116,418
TOTAL ADDED NEEDS	\$ 590,431	\$ 589,326	\$ (1,105)	\$ 609,917
 TOTAL INSTRUCTIONAL	 \$ 3,220,628	 \$ 3,201,317	 \$ (19,311)	 \$3,078,194
 <u>SUPPORTING SERVICES</u>				
<u>STUDENT SERVICES</u>				
<u>Guidance</u>				
Professional Salaries	26,102	-	-	22,360
Insurance	7,188			6,790
FICA/Retirement	6,160			5,004
Other Benefits	76			234
Purchased Services	250			130
Supplies and Materials	168			188
Other	-	-	-	208
Total Guidance	39,944	40,543	599	34,914
TOTAL STUDENT SERVICES	\$ 39,944	\$ 40,543	\$ 599	\$ 34,914

The notes to the financial statements are an integral part of this report.

FOREST PARK SCHOOL DISTRICT

GENERAL FUND - STATEMENT OF EXPENDITURES – ACTUAL COMPARED TO BUDGET
(Continued)

Fiscal Year Ended June 30, 2006
(With Comparative Totals for Fiscal Year Ended June 30, 2005)

SUPPORTING SERVICES (Continued)	FISCAL YEAR ENDED JUNE 30, 2006			FISCAL YEAR ENDED 6/30/2005
	ACTUAL	BUDGET	VARIANCE FAVORABLE (UNFAVORABLE)	
INSTRUCTIONAL STAFF				
<u>Library</u>				
FICA/Retirement	\$ 10,000	\$ -	\$ -	\$ 10,000
Purchased Services	-			89
Supplies and Materials	359			3,366
Capital Outlay	1,460			-
Other	1,540	-	-	-
Total Library	13,359	13,360	1	13,455
TOTAL INSTRUCTIONAL STAFF	\$ 13,359	\$ 13,360	\$ 1	\$ 13,455
GENERAL ADMINISTRATION				
<u>Board of Education</u>				
Nonprofessional Salaries	3,270	-	-	5,164
Insurance	5,263			5,265
Purchased Services	30,180			26,562
Supplies and Materials	7,054			3,177
Other	2,261	-	-	3,138
Total Board of Education	48,028	49,919	1,891	43,306
<u>Executive Administration</u>				
Professional Salaries	87,235	-	-	42,500
Nonprofessional Salaries	19,975			22,603
Insurance	29,011			32,398
FICA/Retirement	25,474			14,242
Purchased Services	3,630			4,297
Supplies and Materials	6,329			7,111
Capital Outlay	1,535			2,945
Other	6,181	-	-	5,423
Total Executive Administration	179,370	180,328	958	131,519
TOTAL GENERAL ADMINISTRATION	\$ 227,398	\$ 230,247	\$ 2,849	\$ 174,825

The notes to the financial statements are an integral part of this report

FOREST PARK SCHOOL DISTRICT

GENERAL FUND - STATEMENT OF EXPENDITURES – ACTUAL COMPARED TO BUDGET
(Continued)

Fiscal Year Ended June 30, 2006
(With Comparative Totals for Fiscal Year Ended June 30, 2005)

	FISCAL YEAR ENDED JUNE 30, 2006			FISCAL YEAR ENDED 6/30/2005
	ACTUAL	BUDGET	VARIANCE FAVORABLE (UNFAVORABLE)	
<u>SUPPORTING SERVICES</u> (Continued)				
SCHOOL ADMINISTRATION				
<u>Office of the Principal</u>				
Professional Salaries	\$ 62,300	\$ -	\$ -	\$ 102,843
Nonprofessional Salaries	46,413			38,112
Insurance	26,571			51,452
FICA/Retirement	25,623			31,566
Other Benefits	4,575			13,976
Supplies and Materials	520			1,373
Other	800	-	-	2,047
Total Office of the Principal	166,802	167,672	870	241,369
TOTAL SCHOOL ADMINISTRATION	\$ 166,802	\$ 167,672	\$ 870	\$ 241,369
 BUSINESS SERVICES				
<u>Fiscal Services</u>				
Nonprofessional Salaries	46,737	-	-	38,344
Insurance	-			6,742
FICA/Retirement	10,976			8,416
Supplies and Materials	2,642			3,238
Capital Outlay	1,538			-
Other - Tax refunds/Adjustments	6,035			31,377
Other - Miscellaneous	884	-	-	1,061
Total Fiscal Services	68,812	71,588	2,776	89,178
TOTAL BUSINESS SERVICES	\$ 68,812	\$ 71,588	\$ 2,776	\$ 89,178

The notes to the financial statements are an integral part of this report.

FOREST PARK SCHOOL DISTRICT

GENERAL FUND - STATEMENT OF EXPENDITURES – ACTUAL COMPARED TO BUDGET
(Continued)

Fiscal Year Ended June 30, 2006
(With Comparative Totals for Fiscal Year Ended June 30, 2005)

	FISCAL YEAR ENDED JUNE 30, 2006			FISCAL YEAR ENDED 6/30/2005
	ACTUAL	BUDGET	VARIANCE FAVORABLE (UNFAVORABLE)	
<u>SUPPORTING SERVICES (Continued)</u>				
<u>OPERATION AND MAINTENANCE</u>				
Nonprofessional Salaries	\$ 173,682	\$ -	\$ -	\$ 157,398
Insurance	76,749			114,376
FICA/Retirement	41,429			35,022
Other Benefits	6,935			4,302
Purchased Services	249,753			221,797
Supplies and Materials	10,270			19,088
Capital Outlay	23,951			11,673
Other	-	-	-	325
TOTAL OPERATION AND MAINTENANCE	\$ 582,769	\$ 595,555	\$ 12,786	\$ 563,981
 <u>PUPIL TRANSPORTATION</u>				
Nonprofessional Salaries	117,153	-	-	138,725
Insurance	23,635			60,664
FICA/Retirement	29,389			34,800
Other Benefits	8,204			11,617
Purchased Services	13,975			30,520
Supplies and Materials	34,917			39,647
Capital Outlay	1,392			-
Other	1,301			419
TOTAL PUPIL TRANSPORTATION	229,966	242,914	12,948	316,392
 <u>STUDENT ACTIVITIES</u>				
Nonprofessional Salaries	17,468	-	-	16,866
FICA/Retirement	4,182			3,787
Other	4,873			3,632
TOTAL STUDENT ACTIVITIES	\$ 26,523	\$ 26,572	\$ 49	\$ 24,285

The notes to the financial statements are an integral part of this report.

FOREST PARK SCHOOL DISTRICT

GENERAL FUND - STATEMENT OF EXPENDITURES – ACTUAL COMPARED TO BUDGET
(Continued)

Fiscal Year Ended June 30, 2006
(With Comparative Totals for Fiscal Year Ended June 30, 2005)

	FISCAL YEAR ENDED JUNE 30, 2006			FISCAL YEAR ENDED 6/30/2005
SUPPORTING SERVICES (Continued)	ACTUAL	BUDGET	VARIANCE FAVORABLE (UNFAVORABLE)	
<u>OTHER SUPPORTING SERVICES</u>				
Nonprofessional Salaries	\$ 16,542	\$ -	\$ -	\$ 17,679
FICA/Retirement	3,969			3,937
Other Benefits	205			450
Other	108			-
TOTAL OTHER SUPPORTING SERVICES	20,824	20,843	19	22,066
TOTAL SUPPORTING SERVICES	\$ 1,376,397	\$ 1,409,294	\$ 32,897	\$1,480,465
 TOTAL EXPENDITURES	 \$ 4,597,025	 \$ 4,610,611	 \$ 13,586	 \$4,558,659
 <u>OTHER FINANCING USES</u>				
Fund Modifications				
Transfer To Debt Service Fund	51,889	-	-	48,555
Transfer To Athletic Fund	85,005			98,740
Transfer To Community Schools Fund	33,401			-
Transfer To Capital Projects Fund	20,000			104,334
TOTAL OTHER FINANCING USES	190,295	194,889	4,594	251,629
 TOTAL EXPENDITURES AND OTHER FINANCING USES	 \$ 4,787,320	 \$ 4,805,500	 \$ 18,180	 \$4,810,288

The notes to the financial statements are an integral part of this report

FOREST PARK SCHOOL DISTRICT

COMMUNITY SCHOOL FUND - COMPARATIVE BALANCE SHEET*June 30, 2006 and 2005*

	<u>2006</u>	<u>2005</u>
<u>ASSETS</u>		
Cash and Deposits	\$ 22,742	\$ 36,700
Due from Other Funds	33,401	1,945
Accounts Receivable	<u>7,492</u>	<u>6,599</u>
TOTAL ASSETS	<u>\$ 63,635</u>	<u>\$ 45,244</u>
<u>LIABILITIES AND FUND EQUITY</u>		
<u>LIABILITIES</u>		
Due to Other Funds	63,635	8,862
Deferred Revenue	<u>-</u>	<u>32,993</u>
TOTAL LIABILITIES	63,635	41,855
<u>FUND EQUITY</u>		
Fund Balance - Unreserved	<u>-</u>	<u>3,389</u>
TOTAL FUND EQUITY	-	3,389
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 63,635</u>	<u>\$ 45,244</u>

The notes to the financial statements are an integral part of this report.

FOREST PARK SCHOOL DISTRICT

COMMUNITY SCHOOLS FUND - STATEMENT OF REVENUES – ACTUAL COMPARED TO BUDGET

Fiscal Year Ended June 30, 2006
(With Comparative Totals for Fiscal Year Ended June 30, 2005)

	FISCAL YEAR ENDED JUNE 30, 2006			FISCAL YEAR ENDED 6/30/05
	ACTUAL	BUDGET	VARIANCE FAVORABLE (UNFAVORABLE)	
<u>REVENUES</u>				
Local Sources				
Tuition	\$ 34,554	\$ 30,714	\$ -	\$ 14,294
Interest	239	225		271
Day Care Program	41,456	43,000		46,753
Fundraising - Winter Games	5,474	5,474		4,724
Donations	12	10		150
Other	391	270	-	23
Total Local Sources	\$ 82,126	\$ 79,693	\$ 2,433	\$ 66,215
State Sources				
Grant - Michigan School Readiness	19,800	20,998	(1,198)	33,000
TOTAL REVENUES	\$ 101,926	\$ 100,691	\$ 1,235	\$ 99,215
 OTHER FINANCING SOURCES				
Transfers In from Other Funds	33,401	35,993	(2,592)	-
TOTAL OTHER FINANCING SOURCE	33,401	35,993	(2,592)	-
 TOTAL REVENUES AND OTHER FINANCING SOURCES	\$ 135,327	\$ 136,684	\$ (1,357)	\$ 99,215

The notes to the financial statements are an integral part of this report.

FOREST PARK SCHOOL DISTRICT

COMMUNITY SCHOOL FUND - STATEMENT OF EXPENDITURES – ACTUAL COMPARED TO BUDGET

Fiscal Year Ended June 30, 2006
(With Comparative Totals for Fiscal Year Ended June 30, 2005)

	<u>FISCAL YEAR ENDED JUNE 30, 2006</u>			<u>FISCAL YEAR ENDED 6/30/05</u>
	<u>ACTUAL</u>	<u>BUDGET</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>	
<u>INSTRUCTION</u>				
Basic Programs				
Pre-Kindergarten				
Professional Salaries	\$ 33,331	\$ -	\$ -	\$ 42,528
Nonprofessional Salaries	12,954			10,675
FICA/Retirement	11,576			12,592
Insurance	7,367			4,452
Other Benefits	-			1,665
Purchased Services	-			90
Supplies and Materials	2,849			4,920
Other	255	-	-	90
Total Pre-Kindergarten	68,332	68,456	124	77,012
Total Basic Programs	68,332	68,456	124	77,012
TOTAL INSTRUCTION	\$ 68,332	\$ 68,456	\$ 124	\$ 77,012
<u>SUPPORTING SERVICES</u>				
School Administration				
Professional Salaries	6,000	-	-	5,109
FICA/Retirement	1,407			1,120
Supplies and Materials	940			1,400
Other	80			100
Total School Administration	8,427	8,481	54	7,729
Day Care Program				
Nonprofessional Services	34,930	-	-	33,277
Other Benefits	-			3,272
FICA/Retirement	8,231			7,335
Supplies and Materials	936			1,964
Other	275			205
Total Day Care Program	\$ 44,372	\$ 44,790	\$ 418	\$ 46,053

The notes to the financial statements are an integral part of this report.

FOREST PARK SCHOOL DISTRICT

COMMUNITY SCHOOL FUND - STATEMENT OF EXPENDITURES – ACTUAL COMPARED TO BUDGET
(Continued)

Fiscal Year Ended June 30, 2006
(With Comparative Totals for Fiscal Year Ended June 30, 2005)

	<u>FISCAL YEAR ENDED JUNE 30, 2006</u>			<u>FISCAL YEAR ENDED 6/30/05</u>
	<u>ACTUAL</u>	<u>BUDGET</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>	
<u>SUPPORTING SERVICE (Continued)</u>				
Tot Lot Program				
Professional Salaries	\$ 1,551	\$ -	\$ -	\$ 1,858
Nonprofessional Salaries	48			934
FICA/Retirement	379			624
Total Tot Lot Program	1,978	1,982	4	3,416
TOTAL SUPPORTING SERVICES	54,777	55,253	476	57,198
<u>COMMUNITY SERVICES</u>				
Recreation				
Nonprofessional Salaries	6,380	-	-	6,290
FICA/Retirement	1,312			1,102
Supplies and Materials	217			378
Other	7,698	-	-	7,380
Total Recreation	15,607	15,193	(414)	15,150
TOTAL COMMUNITY SERVICES	15,607	15,193	(414)	15,150
TOTAL EXPENDITURES	<u>\$138,716</u>	<u>\$138,902</u>	<u>\$ 186</u>	<u>\$149,360</u>

The notes to the financial statements are an integral part of this report.

FOREST PARK SCHOOL DISTRICT

SPECIAL REVENUE FUND – FOOD SERVICE - COMPARATIVE BALANCE SHEET

June 30, 2006 and 2005

	<u>2006</u>	<u>2005</u>
<u>ASSETS</u>		
Cash and Deposits	\$ 15,983	\$ 9,551
Inventory	4,366	4,844
Due from Other Funds	-	2,407
Accounts Receivable	<u>1,729</u>	<u>4,055</u>
TOTAL ASSETS	<u>\$ 22,078</u>	<u>\$ 20,857</u>
<u>FUND EQUITY</u>		
Fund Balance - Unreserved	<u>22,078</u>	<u>20,857</u>
TOTAL FUND EQUITY	<u>\$ 22,078</u>	<u>\$ 20,857</u>

The notes to the financial statements are an integral part of this report.

FOREST PARK SCHOOL DISTRICT

**SPECIAL REVENUE FUND – FOOD SERVICE -STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCE - ACTUAL COMPARED TO BUDGET**

Fiscal Year Ended June 30, 2006

(With Comparative Totals for Fiscal Year Ended June 30, 2005)

	FISCAL YEAR ENDED JUNE 30, 2006			FISCAL YEAR ENDED 6/30/05
	ACTUAL	BUDGET	VARIANCE FAVORABLE (UNFAVORABLE)	
<u>REVENUES</u>				
Local Sources				
Student Lunches	\$ 47,535	\$ -	\$ -	\$ 47,382
Adult Lunches	5,503			6,537
Milk	241			126
Ala Carte	39,399			39,325
Catering	1,265			1,298
Interest	116	-	-	
Total Local Sources	94,059	95,360	(1,301)	94,668
State Sources				
School Lunch Program	7,313	8,093	(780)	6,885
Federal Sources				
Federal Aid	114,603	-	-	102,524
USDA Commodities/Bonus	16,602			20,832
Total Federal Sources	131,205	114,603	16,602	123,356
TOTAL REVENUES	\$232,577	\$218,056	\$ 14,521	\$224,909
<u>EXPENDITURES</u>				
Nonprofessional Salaries	66,216	-	-	65,446
Insurance	15,539			24,373
FICA/Retirement	16,295			14,717
Other Benefits	7,290			5,125
Supplies and Materials	122,590			110,916
Other Costs	3,426			1,825
Capital Outlay	-	-	-	1,393
TOTAL EXPENDITURES	\$231,356	\$216,310	\$ (15,046)	\$223,795
Excess of Revenues Over Expenditures	1,221	1,746	(525)	1,114
FUND BALANCE, JULY 1	20,857			19,743
FUND BALANCE, JUNE 30	<u>\$ 22,078</u>			<u>\$ 20,857</u>

The notes to the financial statements are an integral part of this report.

FOREST PARK SCHOOL DISTRICT

**SPECIAL REVENUE FUND – INTERSCHOLASTIC ATHLETIC FUND - COMPARATIVE
BALANCE SHEET**

June 30, 2006 and 2005

	<u>2006</u>	<u>2005</u>
<u>ASSETS</u>		
Cash and Deposits	\$ 3,528	\$ 22,339
Due from Other Funds	<u>-</u>	<u>79</u>
TOTAL ASSETS	<u>\$ 3,528</u>	<u>\$ 22,418</u>
<u>LIABILITIES AND FUND EQUITY</u>		
<u>LIABILITIES</u>		
Due To Other Funds	<u>\$ 3,528</u>	<u>\$ -</u>
TOTAL LIABILITIES	<u>\$ 3,528</u>	<u>\$ -</u>
<u>FUND EQUITY</u>		
Fund Balance - Unreserved	<u>-</u>	<u>22,418</u>
TOTAL FUND EQUITY	<u>-</u>	<u>22,418</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 3,528</u>	<u>\$ 22,418</u>

The notes to the financial statements are an integral part of this report.

FOREST PARK SCHOOL DISTRICT

**SPECIAL REVENUE FUND – INTERSCHOLASTIC FUND -STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCE - ACTUAL COMPARED TO BUDGET**

Fiscal Year Ended June 30, 2006
(With Comparative Totals for Fiscal Year Ended June 30, 2005)

	FISCAL YEAR ENDED JUNE 30, 2006			FISCAL YEAR ENDED 6/30/05
	ACTUAL	BUDGET	VARIANCE FAVORABLE (UNFAVORABLE)	
<u>REVENUES</u>				
Local Sources				
General Admissions and Other	\$ 59,081	\$ -	\$ -	\$ 61,714
Interest	80			48
Donations	627			1,212
Total Local Sources	59,788	60,909	(1,121)	62,974
Other Financing Sources				
Transfer from General Fund	85,005	100,000	(14,995)	98,740
TOTAL REVENUES AND OTHER FINANCING SOURCES	144,793	160,909	(16,116)	161,714
<u>EXPENDITURES</u>				
Professional Salaries	72,249			67,559
Nonprofessional Salaries	16,830			20,452
Insurance	9,449			7,089
FICA/Retirement	18,965			16,586
Supplies and Materials	16,104			27,766
Other Costs	7,288			13,019
Capital Outlay	16,415			5,971
Tournaments	9,911			-
TOTAL EXPENDITURES	\$167,211	\$173,477	\$ 6,266	\$158,442
Excess of Revenues and Other Financing Sources Over (Under) Expenditures	(22,418)	(12,568)	(9,850)	3,272
FUND BALANCE, JULY 1	22,418			19,146
FUND BALANCE, JUNE 30	<u><u>\$ -</u></u>			<u><u>\$ 22,418</u></u>

The notes to the financial statements are an integral part of this report.

FOREST PARK SCHOOL DISTRICT

DEBT RETIREMENT FUND - COMPARATIVE BALANCE SHEET

June 30, 2006 and 2005

	<u>2006</u>	<u>2005</u>
<u>ASSETS</u>		
Cash and Deposits	\$ 159,815	\$ 5,497,380
Delinquent Taxes Receivable	30,817	1,427
Due From Other Funds		<u>6,314</u>
TOTAL ASSETS	<u>\$ 190,632</u>	<u>\$ 5,505,121</u>
<u>LIABILITIES AND FUND EQUITY</u>		
<u>LIABILITIES</u>		
Due To Other Funds	10114	-
Accounts Payable	<u>-</u>	<u>2,490</u>
TOTAL LIABILITIES	10,114	2,490
<u>FUND EQUITY</u>		
Fund Balance, Reserved	<u>180,518</u>	<u>5,502,631</u>
TOTAL FUND EQUITY	180,518	5,502,631
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 190,632</u>	<u>\$ 5,505,121</u>

The notes to the financial statements are an integral part of this report.

FOREST PARK SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BLANCE – DEBT RETIREMENT FUND

Fiscal Year Ended June 30, 2006

(With Comparative Totals for Fiscal Year Ended June 30, 2005)

<u>REVENUES</u>	<u>2006</u>	<u>2005</u>
<u>Local Sources</u>		
Property Taxes	\$ 622,803	\$ 628,788
Other Taxes	27,591	35,268
Interest and Penalties on Taxes	74	4,198
Interest	3,662	5,891
Miscellaneous	2,489	-
Total Local Sources	\$ 656,619	\$ 674,145
<u>State Sources</u>		
Durant	\$ 3,658	\$ -
Total State Sources	\$ 3,658	\$ -
TOTAL REVENUES	\$ 660,277	\$ 674,145
<u>EXPENDITURES</u>		
Principal	373,497	387,373
Interest	261,288	314,651
Tax Refunds/Write Offs	-	8,058
TOTAL EXPENDITURES	\$ 634,785	\$ 710,082
Excess of Revenues Over (Under) Expenditures	25,492	(35,937)
<u>OTHER FINANCING SOURCES (USES)</u>		
Operating Transfers In - General Fund	51,889	48,555
Operating Transfers In - Capital Projects Fund	-	62,823
Bond Proceeds	-	4,795,000
Bond Premium	-	231,273
Bond Cost Issuance	-	(57,699)
Gain on Investments	-	22,229
TOTAL OTHER FINANCING SOURCES (USES)	51,889	5,102,181
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	77,381	5,066,244
FUND BALANCE, JULY 1 BEFORE ADJUSTMENT	5,502,631	436,387
Adjustment to Account for Defeasance of Debt	(5,399,494)	-
FUND BALANCE, JULY 1 AFTER ADJUSTMENT	103,137	436,387
FUND BALANCE, JUNE 30	\$ 180,518	\$ 5,502,631

The notes to the financial statements are an integral part of this report.

FOREST PARK SCHOOL DISTRICT

CAPITAL PROJECTS FUND - COMPARATIVE BALANCE SHEET

June 30, 2006 and 2005

	<u>2006</u>	<u>2005</u>
<u>ASSETS</u>		
Cash and Deposits	\$ 83,725	\$ 126,962
Due From Other Funds	<u>10,114</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 93,839</u>	<u>\$ 126,962</u>
<u>LIABILITIES AND FUND EQUITY</u>		
<u>LIABILITIES</u>		
Accounts Payable	65,301	66,174
Due To Other Funds	<u>20,000</u>	<u>-</u>
TOTAL LIABILITIES	\$ 85,301	\$ 66,174
<u>FUND EQUITY</u>		
Fund Balance, Unreserved	8,538	-
Fund Balance, Reserved for Busses	-	23,000
Fund Balance, Reserved for Computer Equipment	-	1,122
Fund Balance, Reserved for Roof	<u>-</u>	<u>36,666</u>
TOTAL FUND EQUITY	\$ 8,538	\$ 60,788
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 93,839</u>	<u>\$ 126,962</u>

The notes to the financial statements are an integral part of this report.

FOREST PARK SCHOOL DISTRICT

**CAPITAL PROJECTS FUND - STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE**

Fiscal Year Ended June 30, 2006
(With Comparative Totals for Fiscal Year Ended June 30, 2005)

	<u>2006</u>	<u>2005</u>
<u>REVENUES</u>		
Interest	\$ 374	\$ 317
Timber Proceeds - School Forest	83,536	150,244
Miscellaneous	<u>-</u>	<u>15,000</u>
TOTAL REVENUES	\$ 83,910	\$ 165,561
 <u>EXPENDITURES</u>		
Capital Outlay	<u>252,360</u>	<u>203,013</u>
TOTAL EXPENDITURES	\$ 252,360	\$ 203,013
 Excess of Revenues Over (Under) Expenditures	 (168,450)	 (37,452)
 <u>OTHER FINANCING SOURCES (USES)</u>		
Other Transfers In - General Fund	20,000	104,334
Other Transfers Out - Debt Service Fund		(62,823)
Loan Proceeds	<u>96,200</u>	<u>41,446</u>
TOTAL OTHER FINANCING SOURCES (USES)	116,200	82,957
 Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	 (52,250)	 45,505
 FUND BALANCE, JULY 1	 <u>60,788</u>	 <u>15,283</u>
FUND BALANCE, JUNE 30	<u>\$ 8,538</u>	<u>\$ 60,788</u>

The notes to the financial statements are an integral part of this report.

FOREST PARK SCHOOL DISTRICT

**TRUST AND AGENCY FUND - STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AND FUND BALANCE**

Fiscal Year Ended June 30, 2006

	BALANCE JUNE 30, <u>2005</u>	<u>INCREASES</u>	<u>DECREASES</u>	BALANCE JUNE 30, <u>2006</u>
<u>ASSETS</u>				
Cash and Deposits	\$ 61,236	\$ 240,123	\$ 212,208	\$ 89,151
Due From Other Funds	-	78	-	78
TOTAL ASSETS	<u>\$ 61,236</u>	<u>\$ 240,201</u>	<u>\$ 212,208</u>	<u>\$ 89,229</u>
<u>LIABILITIES AND FUND EQUITY</u>				
<u>LIABILITIES</u>				
Student Activities	35,907	113,584	108,633	40,858
Due to Other Funds	-	78	-	78
TOTAL LIABILITIES	35,907	113,662	108,633	40,936
<u>FUND EQUITY</u>				
Revolving Fund	14,734	102,796	100,497	17,033
Scholarship Accounts	3,362	23,711	1,550	25,523
Sedberry Trust	7,233	32	1,528	5,737
TOTAL FUND EQUITY	<u>25,329</u>	<u>126,539</u>	<u>103,575</u>	<u>48,293</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 61,236</u>	<u>\$ 240,201</u>	<u>\$ 212,208</u>	<u>\$ 89,229</u>

The notes to the financial statements are an integral part of this report.

FOREST PARK SCHOOL DISTRICT

AGENCY FUNDS - STATEMENT OF RECEIPTS AND DISBURSEMENTS

Fiscal Year Ended June 30, 2006

	BALANCE JUNE 30, <u>2005</u>	<u>RECEIPTS</u>	<u>DISBURSEMENTS</u>	BALANCE JUNE 30, <u>2006</u>
<u>ASSETS</u>				
Cash and Deposits	\$ 35,907	\$ 113,582	\$ 108,631	\$ 40,858
<u>LIABILITIES</u>				
Class of 2005	2,015	-	2,015	-
Class of 2006	1,142	14,640	15,583	199
Class of 2007	1,436	4,602	4,594	1,444
Class of 2008	847	731	666	912
Class of 2009	-	2,946	2,204	742
Records Board	250	-	-	250
Girls Track	1,019	40	240	819
Pom Danz	1,693	3,198	4,026	865
Boys Basketball	343	3,404	2,380	1,367
Girls Basketball	1,164	2,018	2,116	1,066
Cheerleading	(1)	3,597	2,146	1,450
Volleyball	929	2,159	2,850	238
Miscellaneous / Interest	1,318	5,487	6,368	437
Band Class	2,118	960	-	3,078
Drama / Forensics	1,389	3,463	3,901	951
Yearbook	4,685	5,460	1,735	8,410
Junior High Student Council	1,690	22,499	21,728	2,461
Senior High Student Council	1,504	5,388	4,616	2,276
SADD	528	200	250	478
Graduation	1,073	3,029	3,707	395
Grad Gown Dry Clean	-	75	-	75
Skyline Conference	293	2,400	2,747	(54)
Academic Booster Club	1,728	6,807	6,840	1,695
Woods Resale	2,348	837	324	2,861
Advanced Physical Education	66	-	-	66
French Trip 2002	265	3,816	2,276	1,805
Building and Grounds	-	765	765	-
Environmental Science Recycling	17	-	-	17
Football	320	9,755	9,487	588
National Honor Society	474	150	204	420
Santilli Memorial	-	1,574	-	1,574
Landscape Project	2,745	498	3,000	243
Quiz Bowl	401	-	-	401
Business Class	537	329	262	604
Cross Country	208	-	-	208
College Trip	620	1,575	1,592	603
Doc Davison Memorial	-	1,180	-	1,180
Economics	263	-	-	263
Golf	230	-	9	221
Boys Track	250	-	-	250
TOTAL LIABILITIES	\$ 35,907	\$ 113,582	\$ 108,631	\$ 40,858

The notes to the financial statements are an integral part of this report.

FOREST PARK SCHOOL DISTRICT

PROPERTY TAX DATA

For the Year Ended June 30, 2006

<u>YEAR LEVIED</u>	<u>LEVY</u>	<u>COLLECTIONS AND ADJUSTMENTS</u>	<u>BALANCE JUNE 30, 2006</u>
GENERAL FUND			
2005-06	\$ 2,016,023	\$ 1,943,516	\$ 72,507
2004-05	1,927,581	1,852,974	74,607
2003-04	1,799,935	1,735,301	64,634
2002-03	1,718,286	1,655,511	62,775
2001-02	<u>1,656,356</u>	<u>1,588,557</u>	<u>67,799</u>
TOTAL GENERAL FUND	\$ 9,118,181	\$ 8,775,859	\$ 342,322
DEBT RETIREMENT FUND			
2005-06	\$ 622,803	\$ 592,821	\$ 29,982
2004-05	628,788	598,035	30,753
2003-04	593,446	561,883	31,563
2002-03	591,717	562,509	29,208
2001-02	<u>561,668</u>	<u>534,514</u>	<u>27,154</u>
TOTAL DEBT RETIREMENT	<u>\$ 2,998,422</u>	<u>\$ 2,849,762</u>	<u>\$ 148,660</u>
TOTAL ALL FUNDS	<u><u>\$ 12,116,603</u></u>	<u><u>\$ 11,625,621</u></u>	<u><u>\$ 490,982</u></u>

The notes to the financial statements are an integral part of this report.

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

DS Rostagno, CPA, P.C.

***101 West Maple Street, Iron River, MI 49935
Tel (906) 265-1040 Fax (906) 265-1042***

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Education
Forest Park School District
801 Forest Parkway
Crystal Falls, Michigan 49920

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the **Forest Park School District** as of and for the year ended June 30, 2006, which collectively comprise the **Forest Park School District's** financial statements, and have issued our report thereon dated August 01, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the **Forest Park School District's** internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

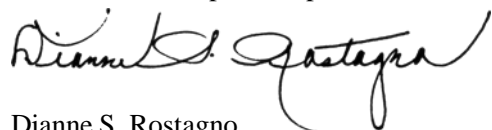
Compliance and Other Matters

As part of obtaining reasonable assurance about whether the **Forest Park School District's** financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts.

However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

However, we noted certain matters involving the internal control structure and its operation that we have reported to the management of the **Forest Park School District**, Crystal Falls, Michigan, in a separate letter dated August 01, 2006

This report is intended solely for the information and use of the audit committee, management, the Board, and federal awarding agencies and pass-through entities, and is not intended to be, and should not be, used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Dianne S. Rostagno". The signature is fluid and cursive, with the first name "Dianne" being more prominent.

Dianne S. Rostagno
DS ROSTAGNO, CPA, P.C.

August 01, 2006

DS Rostagno, CPA, P.C.

***101 West Maple Street, Iron River, MI 49935
Tel (906) 265-1040 Fax (906) 265-1042***

BOARD OF EDUCATION
FOREST PARK SCHOOL DISTRICT
CRYSTAL FALLS, MI 49920

In planning and performing the audit of the financial statements of the **Forest Park School District**, we considered the School's internal control structure to plan the auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit, we noted certain matters involving the internal control structure and other operational matters that are presented for your consideration. This letter does not affect our report dated August 01, 2006, on the financial statements of the **Forest Park School District**. We will review the status of these comments during our next audit engagement. Our comments and recommendations, which have been discussed with appropriate school officials, are intended to improve the internal control structure or result in other operating efficiencies. We will be pleased to discuss these comments in further detail at your convenience or to assist you in implementing the recommendations. Our comments are summarized as follows:

BUDGETARY

Problem

During the year ended June 30, 2005, the District incurred several expenditures which were in excess of amounts appropriated.

Recommendation

It was recommended that closer monitoring be done in regards to budgetary appropriations and expenditures.

Resolution

Although somewhat improved, the District had several expenditures in excess of appropriated amounts during the 2005-2006 fiscal year.

Current Recommendation

Closer monitoring should be done in regards to budgetary appropriations and expenditures.

SEGREGATING DUTIES: CASH RECEIPTS

Problem

In conjunction with the prior audit, we noted that the duties involving cash receipts for the athletic department were not adequately segregated. Furthermore, there was a lack of accountability on the part of the ticket takers to reconcile the ticket sales to the cash and checks turned in to the central office for deposit. The same person was counting the cash, preparing the receipt, and depositing the funds.

FOREST PARK SCHOOL DISTRICT

Page 2

SEGREGATING DUTIES: CASH RECEIPTS (Continued)

Recommendation

It was recommended that the reconciliation of the cash receipts for the athletic department should be handled by the person selling the tickets. The central office should then deposit the money and compare the deposit to the reconciliation prepared by the seller to ensure that all the receipts were deposited.

Resolution

This has largely been resolved, except that the reconciliation between cash and checks included in the deposit which is turned in to the central office is still not consistently being done.

Continued Recommendation

Ticket sales must be reconciled to the deposits, including the cash and check component of the deposit, prior to being brought to the central office for processing.

STUDENT ACTIVITIES

Problem

Last year we noted that monies from student groups were being brought to the principal's office for deposit, but receipts were not being prepared indicating the total deposit and the breakdown of the cash and check component of the amount to be deposited. In addition, the person bringing in the deposit often provided no supporting documentation to correlate to the funds being given to the District personnel for deposit.

Recommendation

We recommended that a receipt be prepared by District personnel taking receipt of any and all monies accepted for deposit. This receipt must indicate the nature of the deposit and the breakdown of cash, checks, etc. The advisor or person in charge should also provide District personnel with the group's accounting of the money, including the amount of cash and checks submitted for deposit. The documentation should be signed by the remitter. This should be retained with the schools copy of the receipt, and is intended to provide protection for both the student group and the School District office personnel.

Resolution

Receipts are being prepared by District personnel accepting funds for deposit, indicating the breakdown of cash, checks, etc. as previously recommended. The District provides **Cash Accounting Sheets** which are designed to accompany funds for deposit. However, they are not being consistently completed by the advisors or persons responsible for fund-raising.

Current Recommendation

Cash Accounting Sheets must be completed for each deposit, with the only exception being checks received in the mail for donations, etc.

FOREST PARK SCHOOL DISTRICT

Page 3

STUDENT ACTIVITIES (Continued)

Problem

In the management letter for the fiscal year ended June 30, 2005, we informed that Board that all records pertaining to the various student activities were reported and maintained in the central office. Student groups generally lack the knowledge of the amounts of earnings, expenditures, and year-end balances in their accounts. Therefore, there was no method to confirm transactions or balances in any group activity. Detection of clerical errors, posting errors, or fraud would be far more difficult.

Recommendation

It was recommended that each student group maintain its own set of accounting records, keeping a running total of all fund-raising revenues, expenses, and ending cash balances. At year-end, these records should be turned in to the office of the principal, where they are to be held for safe-keeping. These records should then be made available to provide an independent confirmation of activities and balances at the time of audit.

Signature of group advisors should be provided at year-end to confirm their agreement with these accounting records.

It was stressed that every group activity be required to comply with this requirement, without exception.

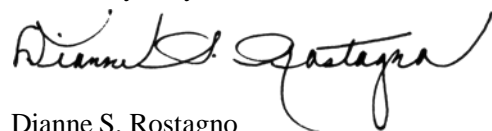
Resolution

This has not been resolved.

The above recommendations have been discussed with school officials.

It has been a pleasure working with the administration and staff, and we wish to express our appreciation for their cooperation and assistance during the audit engagement.

Yours very truly,



Dianne S. Rostagno
DS ROSTAGNO, CPA, P.C.

August 01, 2006